



**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**

**Contract and Schedules  
PART 3: SCHEDULES 11-17  
22 AUGUST 2016  
TS/MTRIPS/SER/2015/01**

**PUBLISHED VERSION  
JULY 2017**

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

**DRAFT CONTRACT AND SCHEDULES**

**PART 3; SCHEDULES 11 - 17**

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

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Executed Contract 22.08.16	Clyde and Hebrides Ferry Services Contract for Provision of Ferry Services
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**Public Service Contract**

**Between**

**The Scottish Ministers**

**And**

**Calmac Ferries Ltd**

**Dated: 22 August 2016**

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedules 1-10

**CONTRACT AND SCHEDULES 1 – 5 ARE CONTAINED IN PART 1**

**SCHEDULES 6 – 10 ARE CONTAINED IN PART 2**

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 11

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## SCHEDULE 11 – HUMAN RESOURCES AND KEY PERSONNEL

This and the following pages 599- 816 comprise Schedule 11 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

### PART A: HUMAN RESOURCES STRATEGY

#### 1 Human Resources

- 1.1 The Operator's Human Resources Strategy must be developed and implemented in accordance with Clause 27.

The HR Strategy shall ensure that the workforce is well motivated, well led and has appropriate opportunities for training and skill development and that this supports recruitment and retention of the workforce to ensure the continuity of the Services, including at the point transfer of the Services on expiry or termination of the Contract.

- 1.2 The Operator shall implement and review from time to time the following initial Human Resources Strategy:

#### 1.9 Human Resources Strategy

### Service offerings and contractual undertakings

We will implement an HR strategy that focuses on leading, supporting and developing our workforce to ensure we get the best results from an engaged and motivated group of employees. We will achieve this by:

- » Building a legacy
- » Promoting accountability and engagement
- » Being socially responsible and ethical as an employer
- » Strengthening our local community and Scotland as a whole and developing the human and social capital of Scotland
- » Spending for value

## » Setting the future legacy

**Building a legacy**

We will continue to build on our 160 year legacy through continued investment in the development of our workforce and providing employment and development opportunities for our communities. More details of our approach to supporting our coastal communities are described in sections 1.9.5 Employment Programme and 1.9.4 Equalities below.

**Promoting accountability and engagement**

Through our revised organisation design, we will build empowerment and engagement at all levels, ensuring clear accountability for performance and enabling decisions to be taken at the appropriate level. Clearer accountability will ensure that all employees are aware of their responsibilities and are empowered to make decisions to the benefit of the Contract, and its stakeholders, on a day-to-day basis. Shore-side and marine service delivery is fully integrated with clear end-to-end ownership of the Service. More details of our organisation approach to promote accountability and engagement is outlined in section 1.9.1 Staffing.

We have long-standing, positive relations with the Trades Unions which represent our workforce, supported by our Collective Bargaining Agreements and regular dialogue. More details regarding this are provided in section 1.9.3 Industrial Relations. As part of our ongoing commitment to positive and collaborative industrial relations we have committed to no compulsory redundancies during the Contract period.

**Being socially responsible and ethical as an employer**

We will continue to adopt and implement workforce policies which meet our aspirations as a socially responsible employer and underpin our HR strategy and culture of 'Leadership at All Levels'. As a publicly owned organisation our policies are in line with government initiatives including the Scottish Business Pledge, apprenticeships and the Living Wage. We have outlined in the table below how our policies map to those of the Scottish Government:

Scottish Government Policy	CFL Policy
Pay Policy that includes a commitment to supporting the Living Wage	CFL is an accredited Living Wage employer and will continue to be, raising base salaries in line with any increases in the National Living Wage as necessary each November.
Guarantee of no compulsory redundancies until 31 <sup>st</sup> July 2016	We have committed to a policy of no compulsory redundancies for the life of the Contract. When we seek to change, modernise or restructure the organisation for the benefit of the Scottish Taxpayer, and the business as a whole, we will do so where possible without the need for redundancies, and where they are unavoidable these will be on a voluntary basis and only after all options for redeployment or retraining have been exhausted.
Fair employment practices	We will continue our excellent record as a fair employer, ensuring our employees are well-led, well-rewarded and well-motivated. We will do this by working in partnership both with the Trades Unions and employees to continue to be a socially

Scottish Government Policy	CFL Policy
Clear managerial responsibility to nurture talent	responsible and ethical employer. Through our investment in the development of our people and leadership skills, we will ensure that nurturing of talent is at the core of our success. Managers have clear accountability for the performance and development of their teams including their career progression and succession planning.
Strong commitment to Modern Apprenticeships and the development of Scotland's young workforce	We will continue to implement apprenticeships in our shore-side activities working with Skills Development Scotland, Equate Scotland and local colleges. We will invest in the future of Scotland's maritime industry through continued investment in Officer Cadet, Deck, Engineering and Catering Rating traineeships throughout the life of the Contract.
Support for learning and development	We know that investment in developing our workforce will allow us to continue to provide a high quality service and motivate and engage our staff. We will continue this significant investment not only for the Contract but also for the development of the wider Scottish Maritime industry.
No inappropriate zero hours contracts	We do not, and will not, use zero hours contracts and will not do this during the entire Contract period.
No inappropriate use of 'umbrella' companies	We directly employ the majority of our workforce and only use agency or interim workers for project roles or as short-term support in periods of absence or staff shortage. We will directly employ all roles within our core establishment.
Flexible working	We will continue to provide opportunities for flexible working for our employees and expand this through our introduction of day sailors, meaning greater flexible employment opportunities with guaranteed hours of work.
50 / 50 gender balance on Boards of Scottish public bodies by 2020	We will work with Scottish Government, who make appointments to the Group board, to meet the target of 50 / 50 gender balance on boards by 2020 and will sign up to the Partnership for Change at the commencement of the contract.
Flexi-time	We do not currently operate a flexi-time policy within our operation but are flexible through our rostering, part-time working and job share arrangements and will continue to develop and improve on this throughout the Contract.
Career breaks	We do not currently offer career breaks to our staff but are committed to exploring this as an opportunity during the lifetime of the Contract.
Effective consultation and involvement of staff	CFL recognises the importance of ensuring effective consultation and involvement of staff. We have always worked with the Trades Unions positively and in an open and collaborative manner.

Our Employee Handbook will be regularly updated and available to all employees via Gangway (our intranet), ensuring all necessary policies and procedures are in place,

as well as via paper copies for those without network connectivity. Our policies, procedures and processes are underpinned by an effective HR Information System (HRIS) provided by IBM Networks – Open People. The HRIS will enable improved recording of data for reports and planning.

The HRIS will introduce a level of manager and employee self-service allowing greater access and control to their data and the data of their teams to better manage on a day-to-day and long term basis.

#### Strengthening our local community and Scotland as a whole and developing the human and social capital of Scotland

Through employment and training opportunities, we will continue to support and strengthen our communities and the wider Scottish economy. We will ensure equality of access within CFL to those underrepresented within our workforce and will work to improve the lives of those who are socially disadvantaged within the communities we support. We will work to develop skills within the communities as outlined in sections 1.9.4 Equalities, 1.9.5 Employment Programme and 1.9.6 Training. We will continue to support the Scottish marine industry and its sustainability as a key Scottish industry.

We will continue to work collaboratively with sister agencies, such as CMAL to deliver wider Scottish Government outcomes. We will also be a good corporate citizen and provide support and assistance to the Scottish Government with their wider business and initiatives [REDACTED]

- [REDACTED]
- [REDACTED]

#### Spending for value

We will drive out inefficiencies and maximise value from our spend. We will continue to develop local training partnerships to ensure our spend on learning and development supports the growth of the Scottish economy and the communities we serve. We will review our staffing models and ensure that we have the right levels of staff for the effective delivery of high quality services. More details are provided in section 1.9.1 Staffing.

#### Setting the future legacy

We will plan our resource management to ensure delivery of not just the next eight years of the Contract but to ensure a future legacy. We will continue to invest in the development of skills and talent within the CFL workforce both for the benefit of the Contract and for the wider legacy of the Scottish Maritime Industry. More details of our proposed approach are detailed in sections 1.9.5 Employment Programme and 1.9.6 Training.

#### Investors in People (IIP)

We recognise the benefit that being a recognised Investor in People can bring to the business and our HR Strategy is aligned with this.

We will undertake an IIP Health Check in Contract Year 1 (CY1) to develop a plan for improvement against the new IIP standard (6th generation) introduced in 2015. We will work to obtain accreditation in Contract Year 2 (CY2) and then work towards Silver accreditation by Contract Year 4 (CY4) and continuous improvement throughout the Contract. The IIP framework will underpin our approach to HR, and give direction and focus for leadership. We will work continuously to improve, with a target of achieving IIP Gold accreditation by the end of the Contract term.

The IIP framework will allow us to build in talent management and succession planning and support the behavioural change required to deliver the solutions in Service Delivery, Customer Care and Corporate Social Responsibility and Health and Safety, Quality and Environment.

### How we will add value by supporting the next generation

In addition to obtaining the core IIP standard, we have committed to working towards accreditation against the Investors in Young People standard; IIP Scotland has developed this award to recognise the differing needs in managing and employing young people (under 24). Through our investment in youth employment and development programmes, we will support the Scottish Government's drive to improve opportunities for young people. As the age profile of our workforce changes, we will use the Investors in Young People standard to support the development of our managers and management practices to ensure success.

We will also work towards the Investors in People Health and Wellbeing award as detailed below.

These additional accreditations will run in tandem with the main IIP accreditation programmes and we will undertake a Health Check in CY1 and put in place an implementation plan for improvement throughout the life of the Contract.

Achievement of Investors in Young People will support improvements to our apprenticeship, cadet and other initiatives to engage young people, creating opportunities for them to succeed.

### Culture and engagement

We have developed a recognisable culture with excellence demonstrated on a daily basis across the network. We will further develop this culture in a concerted effort to move away from a command and control structure, to one of Leadership at Every Level. This has commenced in the current Contract and will continue to evolve in the new Contract, as described in 1.9.1 Staffing.

We will continue to implement a cultural engagement programme, with a new internal communications plan including using our internal newsletters and cascade talks. We will build on our existing Enterprise Social Network (Gangway) and further develop this as a tool to support our cultural development through two-way communication and information sharing across the entire workforce.

We will measure and reward leadership behaviours at all levels through our performance appraisal process encouraging all employees to *Think National, Act Local*.

### Added value through transformation and cultural development programmes

We will build on our transformation and cultural development programme through a series of leadership development initiatives, which will be incorporated into our existing Learning Academies framework. This will include principles of increased accountability based on the David Marquet 'Turn the Ship Around' model.

David Marquet was a Captain in the US Navy and following his successful turn-around of the crew in a nuclear submarine from being one of the lowest rated to being the highest rated has developed a leadership model and programme for cultural development based on the methods he used and the lessons he learned.

The core focus of this model is to embed a culture of intent and empowerment with individuals acting as leaders throughout the organisation and taking responsibility and action on a daily basis rather than being told what to do or ordered. This programme has been successfully implemented in a number of organisations across the world and is currently being used as the basis for leadership development and change within the retail division of the Co-Op. We will adapt these principles to fit the needs of our organisation and the modular approach to leadership development within our Learning Academies.

We will continue to work with our employees and their representatives to develop the business and implement change. To support the successful delivery of a number of initiatives we propose to undertake a comprehensive change programme during the first three years of the Contract. This will support employees to meet the needs of the business following organisational change and the introduction of new technologies such as Smart ticketing and channel shift from paper tickets to web purchases.

Our change programme will be focused on four Cs:

- » Communication
- » Consultation
- » Collaboration
- » Change implementation

We will clearly **communicate** our aims and objectives for the successful delivery of the contract with our employees, their representatives and our customers and stakeholders. We will work with employees to refine solutions and communicate to them our plans for implementation. We will clearly explain what the changes will mean for them, both long term and on a day-to-day basis. We will use existing and bespoke communication channels, including Gangway, Mariners' meetings and team talks, to keep employees informed and up-to-date, ensuring that any changes to plans as a result of the consultation and collaboration approach are communicated quickly and clearly. We will provide employees with channels to provide feedback and to ensure that their views are heard. In the last three years, we have also spoken at a number of forums and events in addition to community meetings to keep our customers informed and to listen to their concerns.

We will **consult** with the elected representatives over the proposed changes using our well established meeting structures and consultation channels. We will use the relationships built over years of joint working to consult over the initiatives proposed and work together to reach agreement to support both employees and the success of the contract.

We will **collaborate** with employees and stakeholders to deliver change. We know that for change to be successful and embed in the organisation's DNA, any activity needs to be both top-down and bottom-up, with front line employees bought into and understanding their role and the reasons for change. Our business leaders, working with project teams and dedicated transformation / project staff, will work together with our employees to collaborate on the implementation of new ideas, processes and initiatives. This will encourage ownership and understanding.

We will undertake **change implementation** over a period of time that works for the business, employees, customers and Transport Scotland. For change to be successful and to 'stick' it needs to be considered and implemented over time to allow all stakeholders, including employees, the opportunity to adapt and adopt new ways of working in a positive and confident way. We have a comprehensive transformation plan and programme in place to support all the initiatives detailed in our tender response. We will ensure that change implementation is delivered effectively and efficiently and in a way that supports long term success.

### Engagement and motivation

It is widely concluded from research, and overwhelmingly confirmed by our own experiences, that as an employee's engagement is increased, they become more committed to the success of the organisation. We know there is a positive correlation between employee engagement and desired organisational outcomes e.g. involvement in continuous improvement and improved customer experience.

We will put in place a formal plan to improve engagement of all employees linked to our HR strategy and culture change programme within CFL. We will aim to improve engagement and measure this through an employee survey every two years as well as regular targeted pulse surveys.

To ensure that we take a structured approach to improving engagement, we will focus on the enablers for employee engagement success as defined in the MacLeod review (a report commissioned by government in 2009 to produce a research paper on the importance of engagement to the UK economy (see



Figure 1.9 (b) Engagement enablers.

Figure 1.9 (b)) advocated by the engagement taskforce Engage for Success. We will introduce a series of programmes throughout the life of the Contract that will focus on developing these enablers and on embedding our vision, values and behaviours. We will ensure our people know how they can directly influence delivery of this vision and we will invest in their development. Our engagement activity will be underpinned by a comprehensive internal communications plan.

We will measure engagement formally through a regular engagement survey and undertake an initial engagement survey in CY1 to provide a benchmark level and develop action plans. We will additionally undertake regular pulse surveys for particular topics or employee groups to measure the impact of any initiatives and the success of proposed action plans.

*Strong strategic narrative*

We will clearly communicate and share our vision with our people to demonstrate how we do business, and how we treat our customers and each other. We will have clear business plans and strategies that our people will have input to through meetings with leaders, road-show discussions and performance conversations. Our performance and objectives will be clear and shared with our people through the intranet, manager updates and our other internal communication channels.

*Engaging managers*

All our leaders and managers will have the skills and tools they need to develop and engage with their teams at a local and regional level. [REDACTED]

[REDACTED]

*Employee voice*

As well as through the engagement survey and performance conversations we will put in place a number of other formal and informal opportunities for employees to have a strong voice and two-way conversations across the Contract. [REDACTED]

[REDACTED]





### *Integrity*

We will ensure that there is no say-do gap between the values, behaviours and actions of our leaders, managers and staff. We will encourage an open culture and will recognise and reward those who demonstrate our values and behaviours. Our leaders will role model these behaviours and our business strategy and plans will be aligned with them. We will treat our people with respect and dignity at all times and recognise their contribution should they choose to leave or retire.

### *Employee recognition*

We will introduce improved recognition and rewards through an Annual Staff Award programme and increased recognition across whole network for local acts (such as life-saving at Oban, winning awards, fund raising). Annual awards will include a customer nominated award and a community nominated award. We will support ongoing day-to-day recognition by colleagues and managers through Make a Difference (MAD) awards, spot awards for senior managers to acknowledge and recognise where an employee goes above and beyond.

### **Recognising key staff**

To support our Annual Staff Awards and to highlight and recognise key staff we will, through a nomination programme and powerful storytelling, run a series highlighting employees from across the network and their role (and purpose) in delivering the Service.

Through a series of vox-pops shared both internally and externally we will demonstrate how employees at every level contribute to the safe and successful running of the CFL ferries and ports Services. These videos and associated content will be used to show the face of the company both internally and externally and to celebrate the work of those who are involved in day-to-day operations and who keep our lifeline service running.

*Wellbeing*

One of the key areas of engagement and motivation is the wellbeing of our employees.

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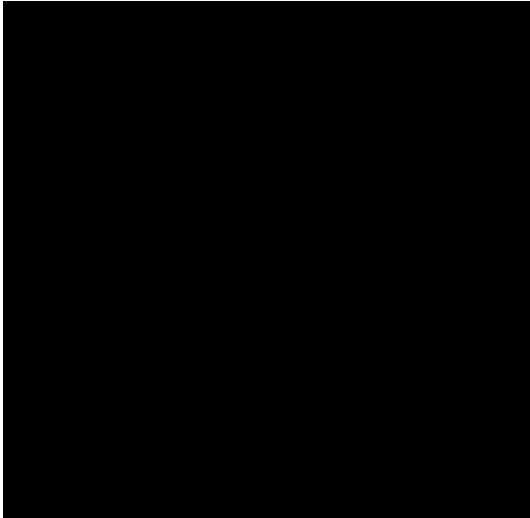


Figure 1.9 (c) Investors in People Health and Wellbeing good practice.

[Redacted text block]

**Why we chose Investors in People Health and Wellbeing Good Practice Award**

In 2014 the Investors in People Health and Wellbeing survey found that over 54% of full-time employees felt that their employer didn't care about their health and wellbeing and 48% said that this led to them feeling less motivated at work. We know that the wellbeing of our employees is a key part of any successful engagement programme. To support our existing wellbeing activities and progress we will undertake the IIP self-check diagnosis, develop strategies and plans for health and wellbeing and implement these plans and review progress and performance in line with the IIP Good Practice Award.

[Redacted text block]

[REDACTED]

**Review**

Our Director of HR will update or confirm our HR strategy at least once a year and it will be reviewed annually at a meeting with the Scottish Ministers. In addition, they will also review the strategy when required by a change of circumstances (such as the introduction of a new vessel or Service) or when required by the Scottish Ministers.

**Measurement**

We will measure the effectiveness of our HR Strategy and associated activities on a regular basis using a number of tools and benchmarks including:

- » Assessment against the IIP framework
- » Assessment against the Investors in Young People and the IIP Health and Wellbeing frameworks
- » Formal engagement survey every two years and regular pulse surveys
- » Measurement of staff turnover and staff absence due to injury or illness
- » Succession planning and career success for employees (promotions)

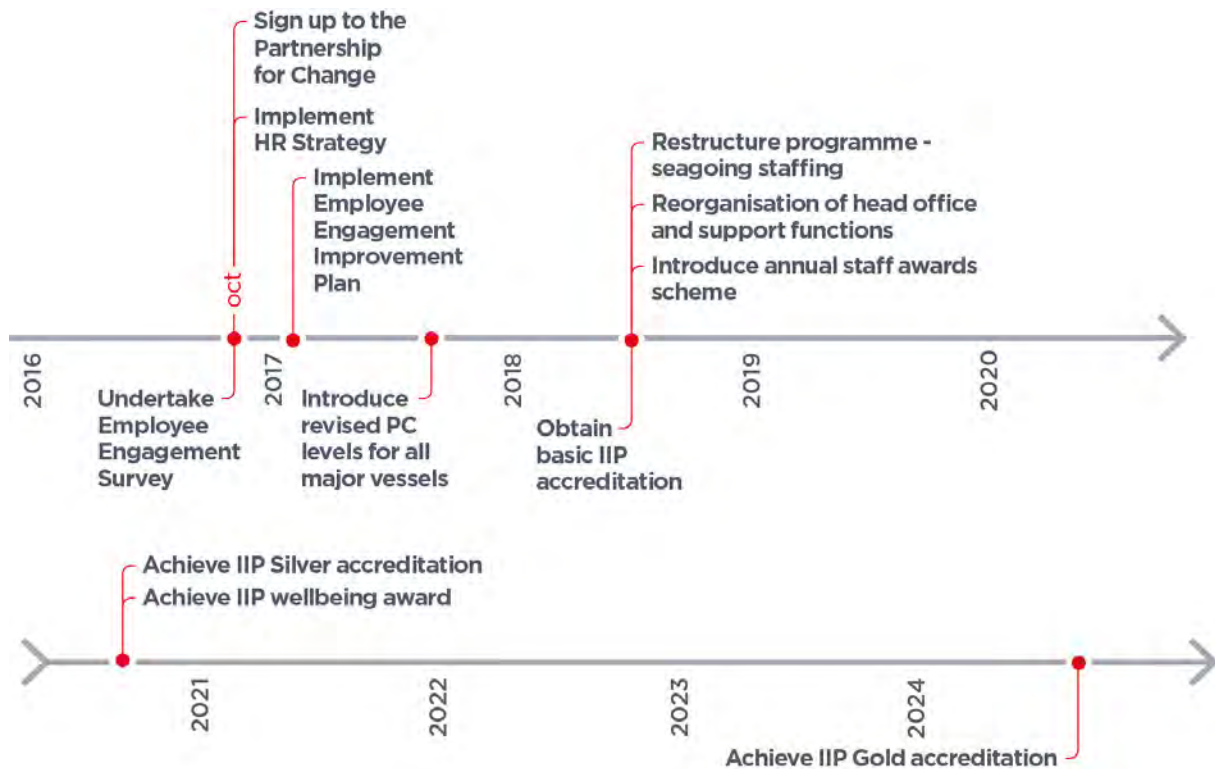
**Benefits of this approach**

Our stated HR Strategy will provide the following benefits:

- » Delivery of the Service in compliance with the contract requirements
- » Employees that are engaged and motivated will continue to protect and promote the Caledonian MacBrayne brand

- » Employee engagement, support and personal development will encourage staff retention
- » Ensure that through staff development we will meet the diverse requirements of passengers, to ensure that the service is accessible to all potential passengers
- » Collaborative / partnership approach with the Trades Unions will support strong industrial relations and meet the needs of employees
- » An improved HR information system will allow us to provide better reporting to management and board and improve planning and business intelligence
- » Culture of excellence applied consistently across the network
- » Improved communication and collaboration between teams and potential for better engagement with third parties and stakeholders
- » Improved performance against health and safety, performance indicators (PIs) and other key performance indicators (KPIs)
- » Increased employee responsibility through Leadership at Every Level will improve employee engagement, personal development and retention
- » Staff will know that their issues are listened to and understood, and that their achievements are recognised, improving staff morale and retention
- » Measurable data on employee engagement to enable continuous improvement against benchmark
- » Improved health and wellbeing of employees will reduce incidence of sickness and stress and increase employee engagement and motivation.

### Service offerings and contractual undertakings milestones



Contractual undertakings	Milestone date
Implement a HR strategy that focuses on leading, supporting and developing our workforce to ensure we get the best results from an engaged and motivated group of employees.	Service Commencement and ongoing
Review the HR strategy annually at a meeting with Scottish Ministers	Annually
Undertake an Employee Engagement Survey within three months of contract commencement and then every two years during the contract period.	CY1
Introduce an annual staff awards scheme to recognise the contribution of staff and partners across the network, this will include customer and staff nominated awards.	CY2
Put in place a formal Employee Engagement Improvement Plan following each engagement survey and measure performance against these plans quarterly.	CY1
Obtain basic IIP accreditation by the end of CY2.	CY*2
Achieve IIP Silver accreditation by the end of CY4.	CY4
Work to obtain IIP Gold accreditation by the end of the Contract term.	CY8
Continue to be a Living Wage Employer throughout the lifetime of the Contract.	Service Commencement and ongoing
We will not use zero hours contracts at any time during the Contract period.	Service Commencement and ongoing
We will not use umbrella companies inappropriately.	Service Commencement and ongoing
Work with our shareholders to achieve a 50 / 50 gender balance on our board	CY4
Sign up to the Partnership for Change	Service Commencement
Achieve the Investors in People Wellbeing award by end of CY4.	CY4
Implement improved promotion of benefits to support wellbeing including our Employee Assistance Programme and build on the dedicated Gangway information and resource pages.	CY2
We will introduce revised PC levels for all major vessels by the end of CY1 (subject to MCA approval).	CY1
We will undertake a restructure programme within our seagoing staffing to meet the revised PC and operational manning levels by the end of CY2.	CY2
We will undertake a reorganisation of our head office and support functions to streamline and improve services by the end of CY2.	CY2

*CY\* - Contract Year*

**1.9.1 Staffing**

**Service offerings and contractual undertakings**

[Redacted text block containing multiple paragraphs of blacked-out content under the heading 'Service offerings and contractual undertakings']

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- [REDACTED]
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Our Senior Management Team will be structured to lead through seven directorates focused on Customer, Service Delivery, Asset Management, Finance and IS, Health, Safety, Quality and Environment, Human Resources, and Community and Stakeholder Engagement, overseen by a CFL Managing Director. The purpose of each directorate is provided in Figure 1.9.1 (a).



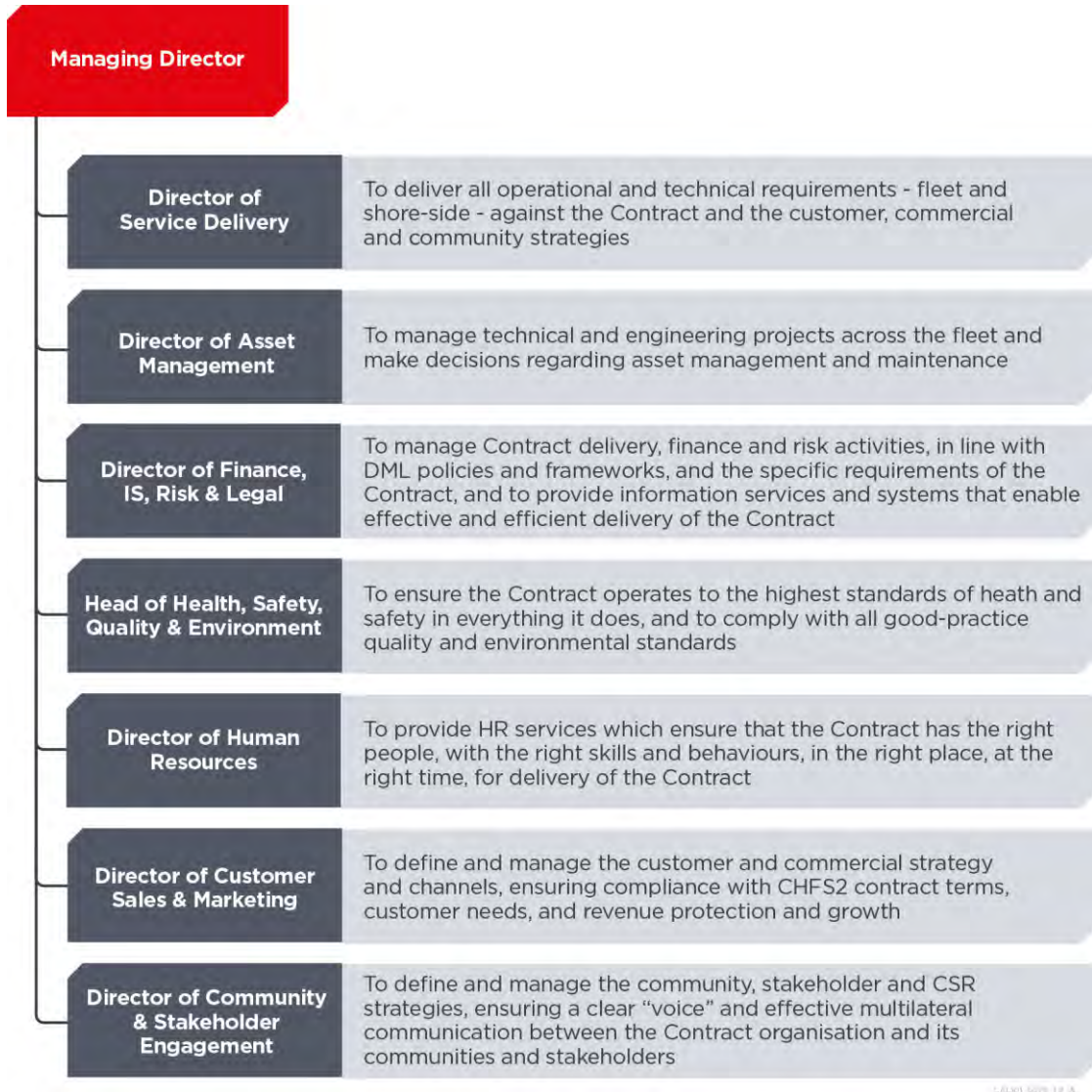


Figure 1.9.1 (a) Senior Management Team Directorate.

*Shore-based staffing – ports and harbours*

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Longer term staffing plans

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[Redacted]

The use of rostering software by properly trained staff will enable CFL to:

- » Facilitate a more effective delivery of the resource
- » Reduce the effort (and cost) involved in working time compliance
- » Create opportunity to reduce the crewing team
- » Impose financial control and visibility over staffing
- » Measure and control vacation and training planning processes
- » Reduce the time spent by operational staff on vessels and in ports in creating detailed intraday staff rosters
- » Centralise the port, vessel and contact centre rostering in one system, allowing for better use of resources and improved management information

The new rostering system will introduce a robust and sustainable set of processes and data that can be learned by and taught to new members of staff. Rostering of staff will be simplified and human errors eliminated to a high degree. A systematic approach to rostering will enable the implementation of the proposed manning and port staffing levels for the Contract through the rostering of training and more flexible rostering. It will also reduce the cost of calling staff back for duty or training while on their rest period.

#### Employment of seagoing staff

All seagoing employees, including catering day-crew will be directly employed by CFL through CalMac Crewing Guernsey Limited on fair terms and conditions of employment. They will be collectively represented and supported by effective Trades Unions and positive industrial relations and the long established reputation of CFL as a socially responsible and ethical employer.

[Redacted]

#### c) Crew configurations and numbers per sailing, noting seasonal variations

We have detailed each vessel's winter base and peak crew configurations and summer base and peak configurations in 1.9.1 Appendix A, including a breakdown of the crew by role group.

Each of the major vessels will operate the following approach in both winter and summer:

- [Redacted]
- [Redacted]
- [Redacted]

[Redacted text block]

[Large redacted text block]

[Redacted text block]

**e) Shift patterns to be adopted**

[Redacted text block]

[Redacted text block]

[Redacted text block] All other terms and conditions, such as pay for holiday and sickness absence will be in line with our core terms and conditions.

[Redacted]

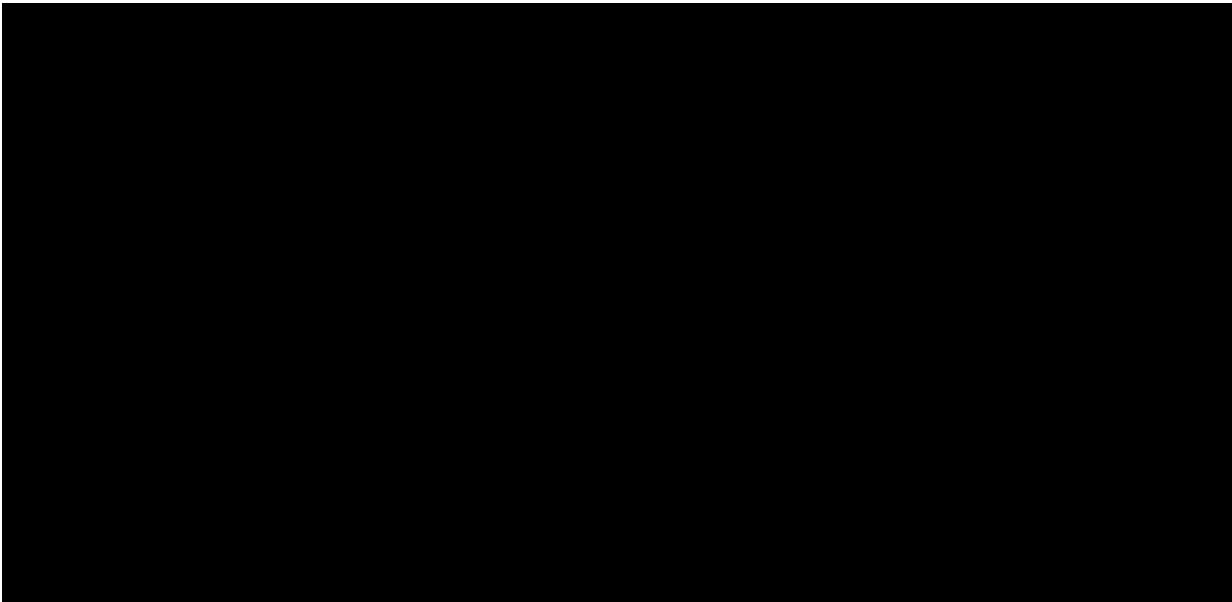
- f) Participants should set out how they would achieve any changes to staffing arrangements whilst providing satisfactory evidence that this will not adversely affect safety and service delivery

[Redacted]

The change programme will be governed by the following principles:

- » Demonstrate commitment and support from senior management
- » Engage the whole business with good internal communication
- » Provide the necessary training and skills development to support our managers and staff in the new ways of working
- » Treat our people fairly and with respect

The successful delivery and embedding of the change programme will be achieved through:



*Figure 1.9.1(d) Our change programme will be structured, co-ordinated and well communicated.*

[Redacted]



[Redacted text block]

[Large redacted text block]

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[Redacted]

**Benefits of the proposed approach**

Through a comprehensive review of staffing across both the seagoing and shore-based organisation, we can achieve the following benefits:

- » More effective crew allocation based on passenger volumes and requirements

[Redacted]

- » Greater focus on clarity on roles and responsibilities – greater accountability
- » Reduced head office costs through improved systems and efficiencies

**Service offerings and contractual undertakings milestones**

[Redacted]

[Redacted]

**1.9.2 Pay and Conditions**

**Service offerings and contractual undertakings**

- a) Participants shall set out typical wage rates for a representative sample of employees which must include those receiving pay at the lower end of the Participant's pay scale**

Our policy for pay and conditions for our employees is to continue to provide a fair and appropriate employment package to all employees regardless of age, hours of work or type of employment contract. [REDACTED]

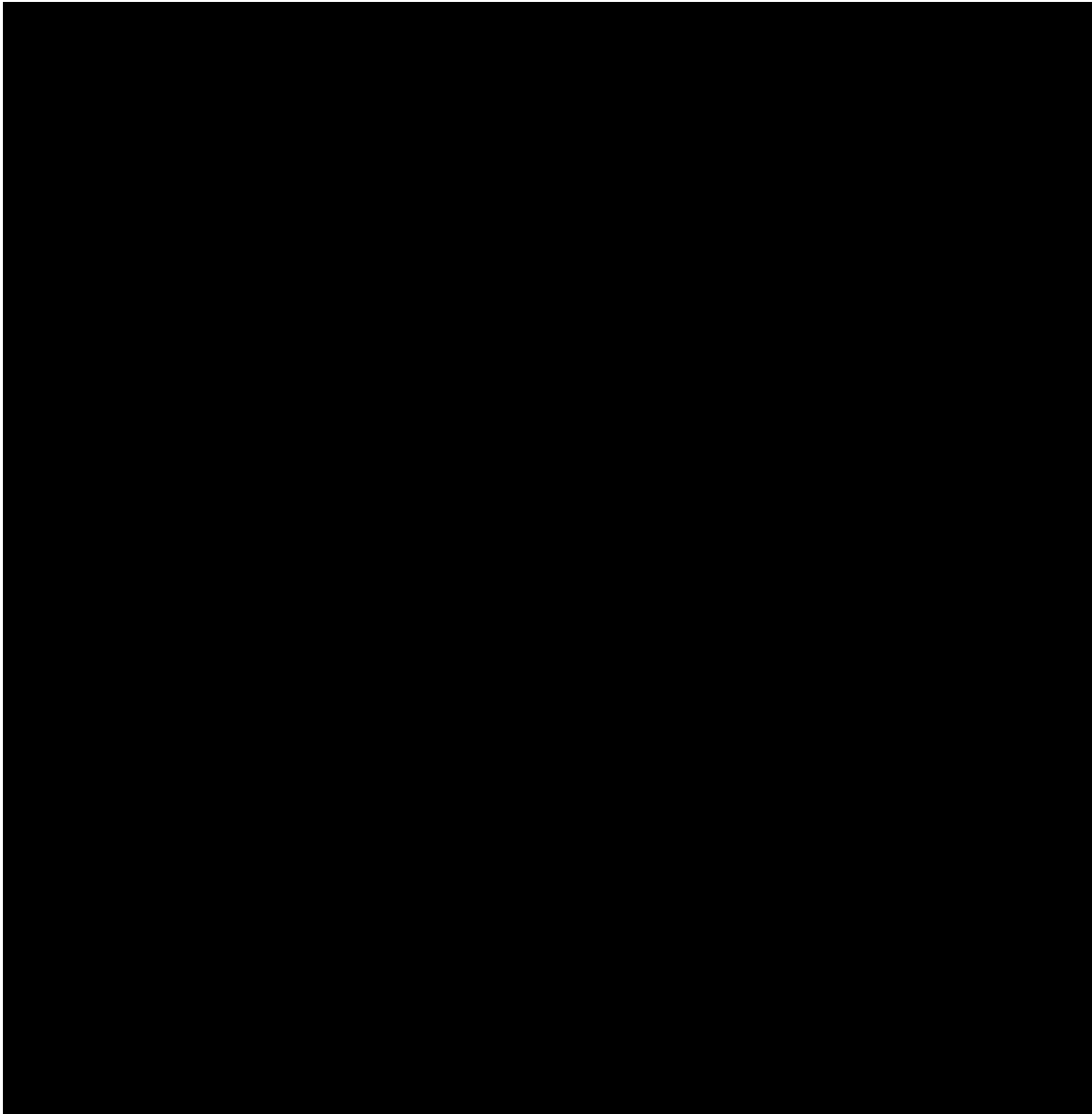
We will continue to be a Living Wage employer throughout the life of the Contract.

We will continue to employ people who live and work in the communities we serve. Currently 95% of our employees live in Scotland and 66% live in the Highland, island and coastal communities. We will continue to provide opportunities for local people and advertise all our vacancies locally, work to build training and work readiness programmes (see 1.9.6 Training for details) and working with University of Highland and Islands and Strathclyde University, develop educational and vocational programmes to increase the opportunities for those living locally to develop their career in the maritime industry.

[REDACTED]

[REDACTED]

[REDACTED]



[Redacted]  
[Redacted]  
[Redacted]

[Redacted]. This will provide our workforce with an overall employment package that helps to:

- » Ensure a good work-life balance
- » Support the Scottish Government's social drivers
- » Enable us to recruit and retain staff in a competitive labour market
- » Look after our people

We are committed to protecting this and working with our staff and Trades Unions to support the ongoing success of CFL and our contribution to the communities in which we live and work.

**b) Participants may also wish to include copies of HR policies to demonstrate their commitment to the recruitment, development and retention of a motivated workforce.**

We will continue to employ locally and develop our workforce to enhance their career opportunities. We detail our employment approach in section 1.9.5 Employment Programme of this response, outlining our recruitment policy and processes along with our approach to succession planning and the development of our people. We have included our Recruitment and Selection Procedure and its associated Guide in 1.9.2 Appendix A.

We will continue this activity through:

- » Local recruitment and development of the workforce in the Highlands and islands as detailed in 1.9.4 Equalities
- » Investment in the training and development of our workforce to prepare them for promotion and career development as detailed in 1.9.6 and 1.9.7
- » Continuation of our Office Cadet training scheme and further development of the Deck and Engine Rating Apprentice Programmes as detailed in 1.9.6
- » Further development of our Modern Apprenticeship Programmes as detailed in 1.9.6

#### Benefits of this approach

We know that, to ensure continued delivery of high quality Services, we need an engaged and motivated workforce; part of ensuring this is having good employment practices coupled with fair pay and conditions of employment.

As a result of our commitment to our Pay Policy, the Living Wage and the Scottish Business Pledge we will continue to have a significant positive impact on the lives of our employees and their families and the communities in which they live and we operate.

Fair pay and conditions will also continue to maintain low turnover of employees meaning that we continue to have over 20,000 years of experience within our workforce to harness and support delivery (Fraser of Allander, April 2015).

#### Service offerings and contractual undertakings milestones

Contractual undertakings	Milestone date
We will continue to be a Living Wage employer throughout the Contract period	Service Commencement – CY*8
We will not employ any staff on zero hours contracts throughout the Contract period	Service Commencement – CY8
We will continue to employ people from the communities we support	Service Commencement – CY8
Develop educational and vocational programmes with University of Highland and Islands and Strathclyde University	CY2

*CY\* - Contract Year*

**1.9.3 Industrial Relations**

**Service offerings and contractual undertakings**

**a) The Human Resource Strategy should set out and demonstrate a commitment to foster constructive relationships with the Trades Unions**

We acknowledge the role that Trades Unions play in the success of the company and, in particular, the influence that they have on our employees. We have always and will continue to support the work of Trades Unions and recognise their importance and benefit to our employees and the wider Scottish industry.

We will build on our existing relationships with Trades Union officials to develop a mutually beneficial and collaborative partnership approach with the Trades Unions. We will continue our regular meetings with them to support a smooth implementation of the future change and transformation programmes within CFL. To enable a smooth and safe transition of the business during this period, we will conduct extensive and ongoing dialogue with the Trades Unions and employee representatives.

[Redacted]

[Redacted]

We will use reasonable endeavours to reach agreement with the Trades Unions, based on shared values and an agreed code of behaviours, devoting time to discuss strategic longer-term issues concerning changes to the organisation and to the wider industry.

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted text block containing multiple paragraphs of blacked-out content]

[Redacted] All management representatives who formally meet with the Trades Unions will conduct themselves with the same partnership, transparent and meaningful approach as outlined in our code of practice.

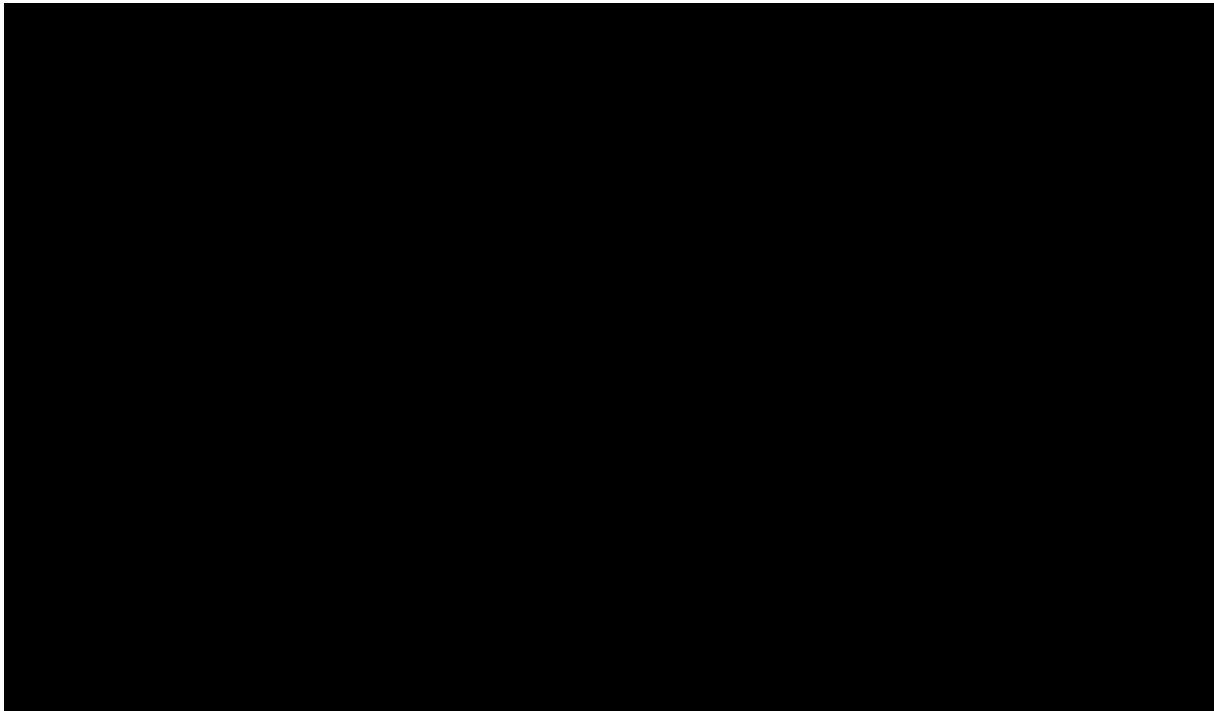
**i) Participants will be expected to demonstrate how they will engage with and understand the attitudes of their employees**

We will continue to engage directly with employees using our existing communications and engagement strategy as set out in Figure 1.9.3 (a) below. As described in our HR strategy above, we will improve our engagement with employees, [Redacted]

[Redacted text block]

**CFL internal communications framework**

As part of the improvements introduced over the last few years, CFL has introduced an internal communications and engagement framework designed to make sure all front-line staff have instant access to up-to-date information and data through to face-to-face contact with the senior team at regular intervals (every 11 weeks) throughout the year.



**ii) Participants should put forward mechanisms for ensuring that through engagement with the Trade Unions employees are consulted and engaged on company developments**

We will work with staff representatives to find imaginative solutions that bring benefit to both CFL and employees. We will do this through proven approaches of open and honest communication; early and regular consultation on change and future plans; collaborative planning to reach agreement on the approach to proposed changes; listening to employees' and representatives' comments, suggestions and concerns; and explaining in a clear and straightforward manner the reason for business decisions. We will lead on direct communication with staff, in conjunction with the Trades Unions, to ensure that our messages are clear and consistent.

All minutes of consultation meetings will be shared with employees via our company intranet, Gangway, in a timely fashion and, where appropriate, papers and consultation documents that have been shared with the Trades Unions will be shared with all employees and available for review.

We will continue to meet with the Trades Unions and the recognised committees as set out in the collective agreements and work to develop these as part of our working in partnership arrangements. These will include:

- » Port Committee meetings
- » Small Ferries Committee
- » Officer Liaison meeting
- » Business review meetings with the CFL Managing Director

**Benefits of this approach**

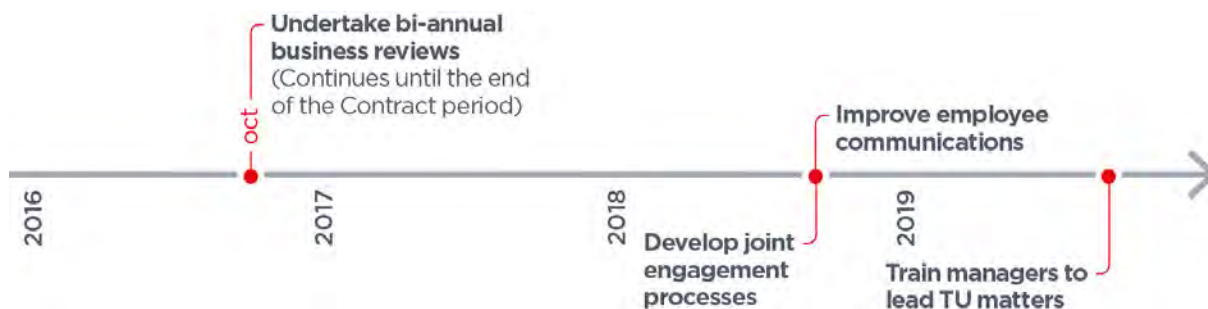
Our approach will lead to the following benefits:

- » Low risk from dispute and service disruption



- » A positive foundation for building employee engagement and improved awareness
- » We achieve business efficiencies through labour cost savings
- » We create a future environment where Trades Unions will look to negotiated outcomes rather than threat and dispute to achieve concessions
- » Normalised Trades Unions relationships
- » Better solution building to day-to-day issues of employee performance and discipline

**Service offerings and contractual undertakings milestones**



Contractual undertakings	Milestone date
Continue to meet with and work in partnership with the recognised Trades Unions throughout the Contract term	Service Commencement – CY*8
Improve and develop direct employee communications and further develop the internal communications framework	CY2
Train relevant operational managers to be able to work alongside and lead TU matters as required	CY3
Develop a robust set of processes for joint engagement with properly managed agendas, well-written agreements, closing off promised actions and holding Trades Unions to account for their part in agreements.	CY2
Undertake bi-annual business reviews	Service Commencement – CY8

*CY\* - Contract Year*

## 1.9.4 Equalities

### Service offerings and contractual undertakings

**a) Participants are required to demonstrate proactive steps to eliminate discrimination and promote equality**

We will ensure equalities are at the heart of our employment policies and practices. CFL will undertake an equality audit using Equality Impact Assessments (EIAs) and implement the Equality and Diversity Action Plan in 1.9.4 Appendix A. This plan includes clear actions together with PIs to demonstrate that our workforce reflects both the communities we operate in and our customers. Where we have identified areas of inequality we will work through our employment practices to promote equality. We will work proactively with the Trades Unions to develop our Action Plan and approach in partnership.

We will actively promote a diverse workforce through:

- » Equal opportunity training for all staff
- » Promoting job sharing, flexible working and day sailor part-time employment opportunities
- » Enabling child care through promotion of our childcare voucher scheme and increased flexibility
- » Enabling and encouraging employee volunteering

We will work with partners, including Age Concern Scotland, Scope, Equate Scotland, RNIB, Social Enterprise Scotland and Stonewall, to test and ensure our policies and principles are consistent with the needs of the protected groups that they represent. In addition, we will participate, in their ambassador schemes and access training opportunities where available.

We will reinforce our ongoing commitment to diversity by encouraging these partner organisations / charities to promote relevant job opportunities through their services.

**Added value partnering with specialist organisations to develop training**

Working with organisations such as Age Concern Scotland, we will develop training for our customer facing employees and senior managers to support working with and the employment of those with disability / accessibility issues. Age Concern has noted that over 50% of those over 50 years old are likely to have a physical disability of some kind and have a number of programmes in place to support us to develop our staff to identify and provide excellent services to those with disabilities. In addition, we recognise that within CFL we have an ageing workforce and through our partnership with Age Concern Scotland we will provide our employees with support and advice as they get older and approach retirement. We see our partnerships with these charities and support organisations as long-term relationships that will build and develop over the life of the Contract leaving a legacy for the future Service provision.

To support our further commitment to equality and improvement of diversity in our workforce, we will use the Stonewall Start-up Plan. Stonewall has developed a diversity and inclusion Start-up plan that can be adapted to cover all areas of diversity and includes proposals for communication and engagement with employees to support success. We will work in partnership with Stonewall Scotland to develop the solution for CFL; using this established toolkit will allow us to implement best practice and learn from other successful Scottish businesses.

**Steps CFL will take to eliminate discrimination**

We will use our Learning Management System (LMS) described in 1.9.6 to ensure all employees undertake equalities training as part of the CFL induction and on an ongoing basis to eliminate discrimination and promote equality. We will maintain our fair and transparent policies and procedures for dealing with any complaints of victimisation and / or bullying and harassment, which include a Dignity at Work Policy and a Grievance Procedure.

We will continue to work with the Trade Union Learning divisions to access learning and development opportunities to foster good relations.

We will work with and train our managers to support equality in the workforce and to avoid unconscious bias in recruitment, development and selection for promotion.

**Added value through partnership**

We will continue to work with the Accessible Tourism Team at Visit Scotland to support and develop their next generation of online training materials for all employees, which will include training on equality and diversity.

We will address the current under-representation of employees with disabilities as part of our Equalities Action Plan within the first three years of the Contract.

CFL will implement forward-looking EIAs of proposed services and current policies, procedures and operations across all internal and customer-facing channels. The scope of the assessments will cover the nine protected characteristics that are likely to appear in the Equality Bill i.e. age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage and civil partnership and pregnancy and maternity. We will also add Gaelic language to the list of protected characteristics. This will lead to the creation of:

- » An action plan
- » Training requirements

EIAs will be monitored annually as part of our standard business practice meeting the requirements of the Scottish Business Pledge.

As a signatory to the Scottish Business Pledge, we will meet the following elements of the Pledge that are applicable to eliminating discrimination and promoting equality:

- » Pay the Living Wage – CFL is proud to be the first UK ferry operator and first major Scottish transport operator to be accredited to the Living Wage and believe that this underpins our commitment to our staff and those that are the lowest paid in society
- » Support investment in youth - We will offer more apprentice opportunities for shore-based and non-officer ratings and work with the local learning and development suppliers to meet the associated training needs
- » Make progress on a balanced workforce - We will encourage more females to undertake apprentice schemes in collaboration with Equate Scotland and will educate CFL employees to encourage women and girls into STEM (Science, Technology, Engineering and Mathematics) careers
- » Play an active role in the community – CFL will continue its policy of encouraging people from the coastal communities to apply for any vacancies through:
  - Working with local schools and colleges to promote careers with CFL
  - Advertising vacant positions in local media
  - Working with Job Centre Plus (JCP) to promote applications for our vacancies.

#### Steps CFL will take to promote equality

Working with Skills Development Scotland, we will put in place apprentice and trainee opportunities across our workforce and grades and open these to the local community working in partnership with UHI (and their colleges) to provide apprenticeships at Foundation, Modern and Advanced level as appropriate. We will continue to support local schools and undertake programmes of career talks and offer work experience where possible.

We will not discriminate against the long-term unemployed or those Not in Education Employment and Training (NEETs). We will work with JCP to develop work-ready programmes and provide basic training and skills to ensure that these groups in the local communities have the necessary core skills to apply for both shore-based and seagoing roles within a ferry and harbour Service. This will assist entry to work with CFL and support our ongoing resourcing plans by developing a pool of work-ready labour. We will also introduce a scheme whereby we will provide free travel for the long-term unemployed to attend interviews where they need to use the ferry service to attend. This scheme will be developed and administered in partnership with JCP.

In addition, we will work with the Calman Trust to support NEETS into employment by offering meaningful work experience and will contract with them for support work as outlined in the Employment Programme section of this response. We will also work with Ingeus to introduce apprenticeships for older adults and promote locally through partnerships with Age Concern Scotland and community organisations, as described in 1.9.6.

#### Added value through partnership

We will work with Equate Scotland to increase participation from females in apprentice schemes and to educate CFL employees to encourage women and girls into STEM careers and support the work of Equate Scotland and the 'Close the Gap' initiative. We have met with Equate Scotland to see how we can develop our partnership with them over the life of the Contract to create a step change in the gender balance in roles that have traditionally been seen as 'male roles'. We will work with them on a long-term

**Added value through partnership**

development programme looking at apprenticeships, recruitment, training and development, mentoring and coaching, and role models to support our legacy aspirations as set out in our HR Strategy.

**Added value with the Armed Forces Covenant**

CFL are a signee of the Armed Forces Covenant and we will continue to work in partnership with programmes such as the Career Transition Partnership to provide training and employment opportunities for Corporate Covenant / Ex Forces personnel.

We will further develop our approach to flexible working, supporting those who have caring responsibilities by looking at job shares and alternative working patterns.

**b) Participants are required to set out a draft Equalities Plan which includes details of how they will monitor its effectiveness**

We will implement our draft Equalities Plan, provided in 1.9.4 Appendix A, during mobilisation. This draft plan demonstrates that we understand our obligations under the Equalities Act 2010 to protect from direct discrimination, associated discrimination, perception discrimination, indirect discrimination, harassment and victimisation.

Our draft Equalities Plan includes:

- » The profile of our workforce in line with the protected characteristics
- » Clear lines of responsibility for implementing the plan
- » A proactive approach to the elimination of unlawful discrimination, victimisation and harassment
- » Proactive approach to the promotion of equality and diversity in our workforce
- » Our Equalities Policy and Dignity at Work Policy
- » An Equality and Diversity Action Plan
- » Details of our Equality Impact Assessments
- » Equality and diversity PIs

We will track progress against our Diversity and Inclusion Strategy and the Equalities Plan and set objectives for the following year.

Our approach exceeds the minimum quality requirement specified by Transport Scotland to meet our duties under the Equalities Act 2010, whilst also demonstrating a positive business case. We will deliver this through:

- » Regular monitoring and assessment of our performance against the Equalities Plan and the development of a set of metrics to track improvement in this area

**Performance monitoring and reporting**

CFL's Managing Director and the Senior Leadership Team will own the Equalities Policy and Plan; the day-to-day monitoring and management of the Equalities Plan will be the responsibility of the HR Director.

We will undertake regular monitoring of our equality data against our PIs and an annual equalities audit (and report) to monitor the effectiveness of our Diversity and Inclusion Strategy and adjust this as necessary. These reports will be shared with our board and shareholders and we will publish annual data on our performance.

In accordance with Clause 27.5 of the Contract, we will review the Equalities Plan from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers, and will update or confirm the plan at least once a year as appropriate.

#### Measurement and continuous improvement

We will measure our success and ongoing continuous improvement using our Equality and Diversity PIs and against progress as itemised in our Equality and Diversity Action Plan including:

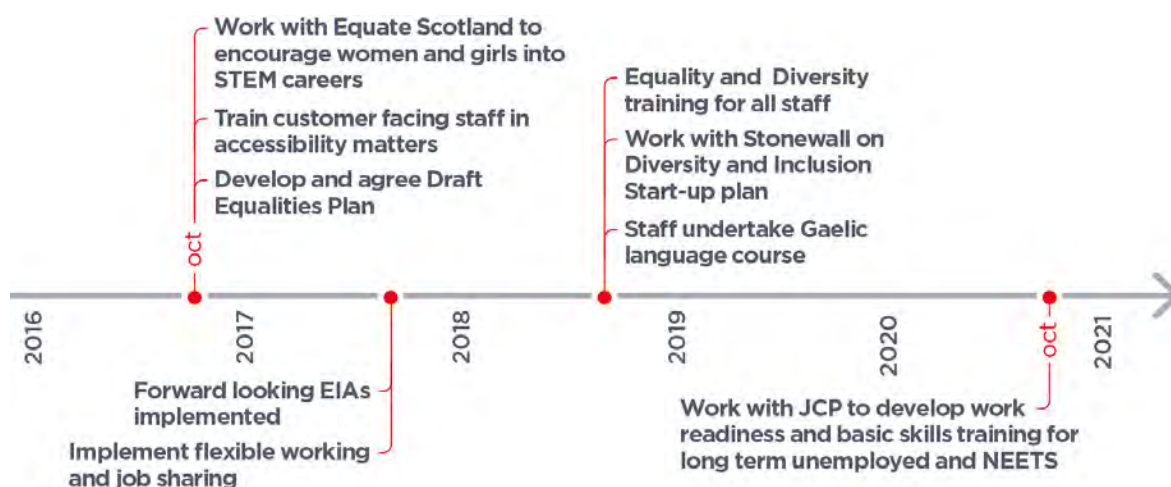
- » Equalities Audit and progress against the plan
- » Achievement of targets set through our Scottish Business Pledge development plans
- » Attendance at training including days training per employee
- » Employment from local communities and numbers of jobless back to work

#### Benefits of this approach

We know that promoting diversity and inclusion, and allowing individuals to be their true self at work will lead to improved engagement, motivation and as a result improved customer services. Through the implementation of our Equalities Plan and, working with our partners we will support our workforce as we work to eliminate unlawful discrimination, victimisation and harassment. The benefits of our approach will be:

- » Improved motivation, engagement and equalities will improve discretionary effort, and as such morale and impact of employees
- » An increase in the diversity of our workforce ensuring it reflects the communities in which we operate and serve
- » Heightened awareness, both as an employer and as a provider of services, will ensure that we improve work for all employees from a diverse background and for customers through greater understanding and awareness
- » The avoidance of any unconscious bias in our management and operations by providing up-to-date and refreshing training
- » A continuance of our good relations with the Trades Unions by working together to achieve a diverse and inclusive workforce
- » Development of the future workforce, both for CFL and the wider marine services in the coastal communities, through targeted and appropriate training and development
- » Community benefit, whilst also developing pool of available skilled workers
- » Meeting the requirements of Transport Scotland through the measurement and regular review of our performance against targets, and providing an annual report on our Equality Plan.

## Service offerings and contractual undertakings milestones



Contractual undertakings	Milestone date
Develop and agree our draft Equalities Plan	Service Commencement
We will review and submit our Equalities Plan on an annual basis	CY*1 – CY8 annually
We will report on performance against the Equalities Plan	CY1 – CY8 annually
Ten frontline staff to undertake the Gaelic language course	CY2
We will work with Stonewall and use their Start-up Plan to implement and communicate our diversity and inclusion strategy	CY2
We will undertake equality and diversity training with all staff and include it in all future inductions	CY2
We will train our customer facing staff in accessibility matters	Service Commencement
We will work with JCP to develop work readiness and basic skills training for the long-term unemployed and NEETS	October 2020
Implement forward-looking EIAs of proposed services and current policies, procedures and operations across all internal and customer-facing channels.	CY1
Promote job vacancies through: <ul style="list-style-type: none"> <li>» Partner organisations / charities</li> <li>» Local media</li> <li>» JCPs</li> <li>» Schools and colleges</li> </ul>	Service Commencement
Work with Trades Unions learning divisions to access training and development opportunities	Service Commencement
Train managers in the implementation of our equality and diversity policies and procedures	CY2
Implement flexible working and job sharing where appropriate	CY1
Work with Equate Scotland to encourage women and girls into STEM careers	Service Commencement
Review the Equalities Plan from time to time or when so required by any change of circumstance or when so requested by the	On-going from Service Commencement



Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 11

Contractual undertakings	Milestone date
Scottish Ministers	
Update or confirm the Equalities Plan at least once a year as appropriate.	CY1 – CY8 annually

*CY\* - Contract Year*

**1.9.5 Employment Programme**

**Service offerings and contractual undertakings**

**a) Participants should provide:**

**i. Details of the organisation of employment management**

**Organisation of employment management**

The overall responsibility and accountability for the organisation design and structure for the Contract sits with the CFL Managing Director. Together with the Senior Management Team, he will periodically review the organisation to ensure that it meets the Contract and Service requirements and reflects good practice.

Our HR Director has overall responsibility for the Employment Programme, resourcing strategy, succession and talent management. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

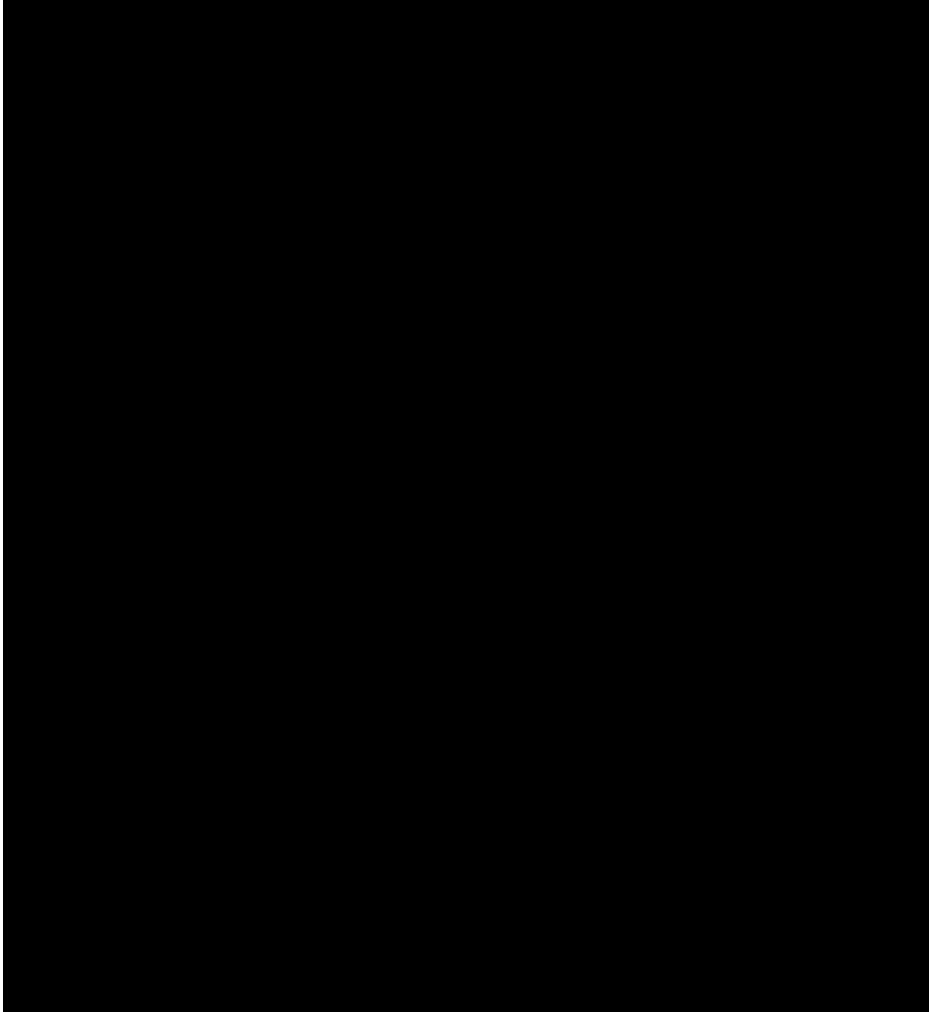
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



*Figure 1.9.5(c) Responsibility and accountability.*

Our staffing plan is provided in detail in section 1.9.1 Staffing of this response. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Our HR Team will work with our people and guide them through change; details of our approach are outlined in section 1.9.1 Staffing.

### Recruitment

We aim to attract passionate, enthusiastic and motivated candidates who demonstrate our values and behaviours during the recruitment process. We will sign up to, and implement, the Recruitment and Employment Confederation's Good Recruitment Campaign and apply their principles using their Employer Toolkit. This will enable us to benchmark our current performance, identify areas for improvement

and help create competitive advantage by building an employer brand that attracts talent.

We will seek accreditations to attract under-represented groups of candidates e.g. 'Two Ticks positive about Disabled People'.

All individuals involved in the recruitment and selection process will attend specific training to ensure we select the best candidates in the fairest way. To attract a diverse workforce, we will advertise all positions through a variety of mediums: company website, job centre plus, local media, charity partners, social media and, for specialist skills, relevant recruitment agencies.

All vacancies within CFL will go through the recruitment approval process [REDACTED]

[REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] All vacancies will also be advertised with JCP. For specialist roles, recruitment agencies will be engaged. For all support staff contingent workforce we will use the Capita Contingent Workforce framework. For seagoing and port contingent workers, we work with our established partners at Clyde Marine.

We will attend jobs fairs within our communities and work with local job centres to establish a candidate database of interested and qualified candidates. We will undertake a targeted recruitment campaign to encourage those from outside the maritime industry to apply to join CFL both via the web and in local and national print media to support our staffing plans.

### Succession and career planning

We will have robust succession plans and talent pipelines built to mitigate risks, protect corporate memory and feed key roles. [REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

■ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

We will continue to undertake proactive succession and career planning within CFL. For all seagoing roles we will publish the qualification, certificate and skills requirements for all roles. We will undertake regular assessment panels for

promotion and publicise these dates widely. Where an employee is keen to progress, and they show the relevant competence, we will give them access to the required training prior to the promotion panel to ensure they have the necessary certificates and qualifications.

#### Future workforce – apprenticeships

We will develop a number of apprentice programmes per year, supported by Skills Development Scotland, Calman Trust, Equate Scotland and Ingeus (described in 1.9.6 below), to support the development of future talent for both our service and the UK maritime industry. We will also work with the University of Highlands and Islands and CMAL to establish an apprentice harbour workers scheme to develop a pool of future employees, and reduce training time. Our apprentices will benefit from joint activity with our partners and will have opportunities to work across our business to develop their skills and experience.

We will continue to undertake an Officer Cadet Training Programme, as detailed in section 1.9.6 Training below, for the benefit of CFL and the wider Scottish maritime industry. We will provide training for ten Officer Cadets and ten Rating Cadets p.a. These will be trained in conjunction with our training partner, Northern Marine, who is able to provide deep-sea elements of the required training programme.

In addition, we will introduce Modern Apprenticeships for Catering Ratings (to develop future retail and catering on-board staff) and for business and administration roles. Apprentices will be supported through a combination of on the job training and learning and 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. [REDACTED]

[REDACTED] and will aim to have no less than ten per annum from 2017.

#### Working in partnership with agencies / organisations

To support our ongoing growth and operations we will be working with a number of organisations and agencies to develop a pool of talent locally from the long-term unemployed, young and mature workers, including:

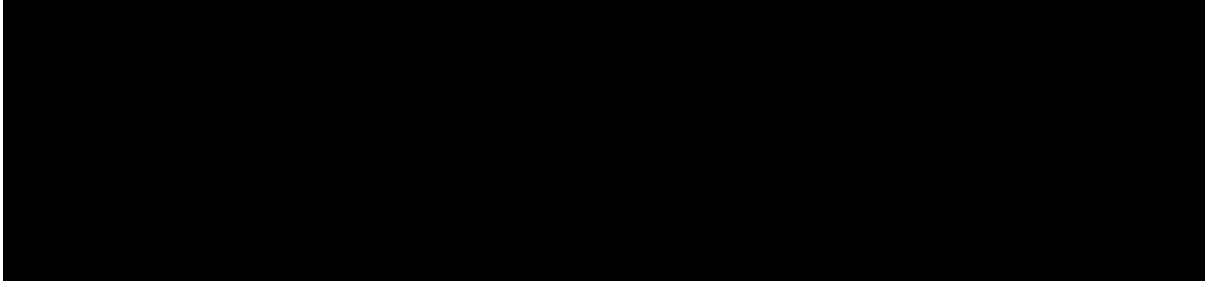
- » Job Centre Plus
- » Calman Trust
- » Skills Development Scotland
- » Ingeus

Details of these organisations are provided in section 1.9.6 of this response.

#### Resource planning

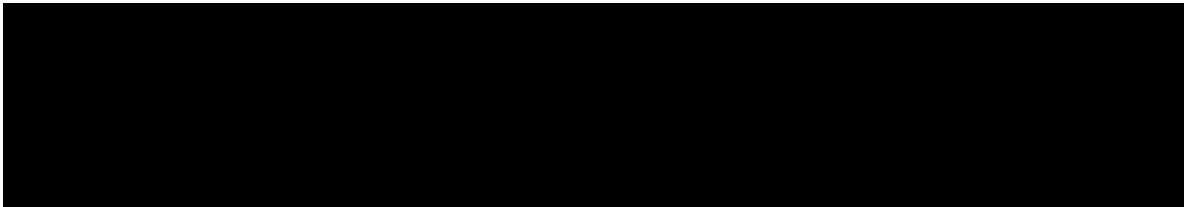
CFL will continue to undertake resource planning using employee data to profile our workforce and plan for the future.

We will use our experience of running the current Contract to predict the staffing requirements across the year. We will work with our crew management and recruitment teams to ensure that we have the right numbers of staff in place at the right time. Through our effective resource planning process and management, we will have a pool of job ready candidates with the right skills and certificated.



**ii. Outline opening employment programme**

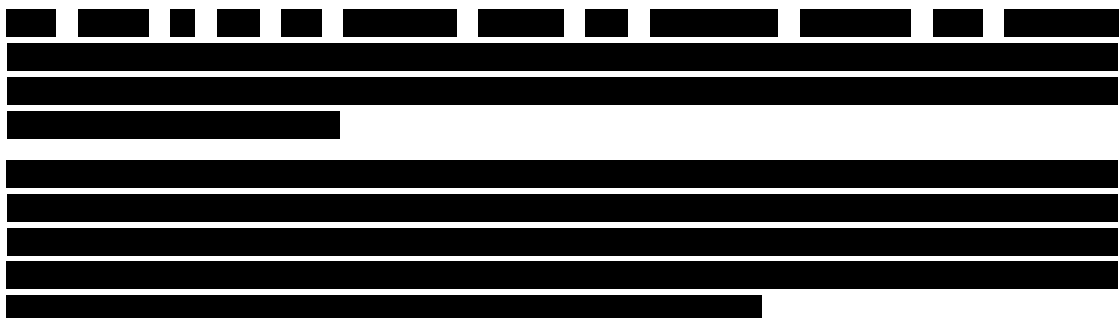
As the current provider of the CHFS Contract, we have in place a highly skilled and dedicated Senior Management and Delivery Team. We will therefore not need to undertake a recruitment programme for the commencement of the Contract. During mobilisation we will undertake some reorganisation, as detailed in section 1.9.1 Staffing. We therefore anticipate that at Contract Commencement our Employment Programme, excluding contract and interim staff, will be as detailed below:



**iii. Proposed person who shall have defined authority for establishing, maintaining and reporting on the employment programme**

Our Director of HR will have the defined authority for establishing, maintaining and reporting on the Employment Programme. The Employment Programme will be reported on annually for review (as part of the HR Strategy) at a meeting between the Scottish Ministers and the Operator.

**iv. A list and structure of procedures for monitoring the employment programme**



Our procedure for monitoring the Employment Programme will require the Director of HR to review our Employment Programme on an annual basis as part of their overall review of our HR Strategy. This review will use relevant management information and business intelligence, and will involve the review of a number of areas to monitor the success of our approach. The procedure will ensure that any remedial action, where necessary, is identified with appropriate owners and deadlines for completion specified.

The structure of the annual review will include:

- » Vacancies and time to recruit

- » Number of temporary / agency staff
- » Succession planning and promotions
- » Leavers (resignation and retirement)
- » External recruits and the channel of recruitment

### Service offerings and contractual undertakings milestones



Contractual undertakings	Milestone date
We will review and report on our Employment Programme annually in a meeting with Scottish Ministers	Annually
Sign up to the Recruitment and Employment Confederation's Good Recruitment Campaign	Service Commencement
Provide training in our recruitment and selection process to staff members involved in recruitment	CY1
Attend job fairs and work with local JCPs to establish a candidate database	Service Commencement
Establish succession plans and talent pipelines	CY2
Map employees on our 9-grid talent template	CY3
Develop individual learning plans and Performance Improvement Plans for relevant staff	Service Commencement
Work with the University of Highlands and Islands and CMAL to establish an apprentice harbour workers scheme	CY2
Undertake an Officer Cadet Training Programme and train ten Officer Cadets and ten Rating Cadets p.a.	Service Commencement
Implement Modern Apprenticeships for a minimum of ten apprentices p.a.	CY2

CY\* - Contract Year

**1.9.6 Training**

**Service offerings and contractual undertakings**

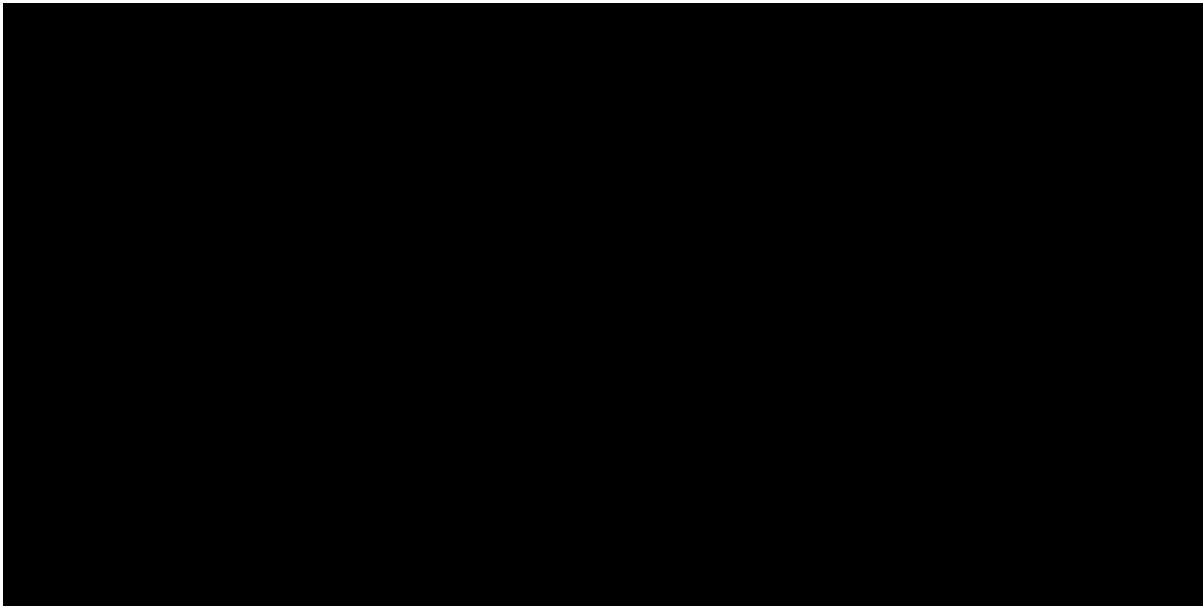
**a) Participants are required to develop the recruitment and training facilities provided under the current contract**

We will invest in the training and development of our workforce, our future workforce and local providers (within OJEU rules) to ensure our employees have the right skills for the current and future Service. Investment in training will commence at recruitment and induction stage, reinforcing our commitment to safety with an online safety induction completed either prior to starting or within the first four weeks of employment.

We will develop a comprehensive training framework demonstrating our proposed investment throughout the employee lifecycle, linked to the IIP framework. Each role within the company will have a detailed role profile, including required skills and competencies, which will form the basis of training and development plans and demonstrate clear routes for career progression.

We will continue to develop our Learning Academy framework that will include:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]





**b) Participant shall provide training policies for the development of seagoing and shore staff on the CHFS services**

CFL has comprehensive training policies and procedures in place to ensure the ongoing development and training of all staff. These start with our personal development process, through our procedures for staff progression and sponsorship of further education and training. We have provided the following policies and processes in 1.9.6 Appendix A:

- » Performance Management Procedure
- » Manager's Guidelines for Crew Progression
- » Secondary School Work Placement Process
- » Further Education and Training Sponsorship Policy and Procedure

We will further develop our existing annual performance management processes to ensure that all employees have a personal development plan, aligned to the company strategies, values and defined competencies, which meet the needs of the business as well as their own career aspirations.

Together, the training matrices (as provided in 1.9.7) and personal development plans will inform the creation of a comprehensive annual training plan covering all areas of our business.

#### Added value supporting the communities

We will develop links with community groups and offer places, where possible, on planned courses to those community groups as an added value offering. Where we are undertaking food hygiene or first aid courses we will look to deliver these within the communities we serve.

#### Commitment to becoming Investors in People accredited

We are committed to obtaining IIP accreditation in the first two years of the contract and to working towards obtaining Silver accreditation by year 5.

We will work with IIP to undertake a health check in early 2016 in order to develop an action plan for implementation throughout the Contract. The IIP sixth generation framework focusing on leading, supporting and improving, will support our HR Strategy.

In addition to the main IIP standard, and in line with our company values and aspirations, we will work towards obtaining the Investors in Young People award and the Investors in People Health and Wellbeing Award.

#### Management and Leadership Academy

All managers, both shore-based and seagoing, will be required to participate in this modular programme described in a) above.

#### Provision of apprenticeship schemes for both young people and mature workers covering all aspects of business operations, including, but not limited to, administration and customer service

We are currently implementing a Modern Apprenticeship (MA) offering, and working proactively with Skills Development Scotland (SDS) to up-skill our current support services staff. MAs will be available for administrative, customer service and support services staff from the 70 MAs currently available in the Scottish framework. These range from payroll qualifications, to facilities management, to contact centre skills and

to HR qualifications. Any MAs undertaken will be predominantly work based and delivered in Scotland. [REDACTED]

[REDACTED] MAs will also be supported by employees accessing Individual Learning Accounts (ILAs). Accessing ILAs will be supported and facilitated jointly by our Learning and Development department and our Trade Union Learning Partnership.

We will introduce both foundation and advanced apprenticeships to provide early careers support and opportunities for 14 to 16 year olds, and ongoing professional development. We are already working in partnership with Equate Scotland on a 'females into engineering' focus to encourage more female apprentices in this sector. We are also part of the new Inverclyde Engineering Forum, the focus of which is to get young school leavers back into engineering. We are currently supporting the development of a 'pre-apprenticeship' college led programme, which is directed towards the workshop area of our business. Such initiatives will be continued and further developed over the life of the contract.

We will introduce apprenticeships for more mature workers by working in partnership with Ingeus, an organisation that develops employability programmes to help individuals reach their full potential including the Government's Work Programme and apprenticeships for older workers.

#### Added Value: Ingeus UK

Since starting in the UK in 2002, Ingeus UK has grown from a team of three people to become a leading provider of people-centred services, such as employability programmes, skills training and health-related support, which help people to reach their full potential.

From a network of more than 80 offices and over 1,600 employees, Ingeus supports people through:

- (1) Employability programmes such as the government's Work Programme, helping long-term unemployed people to find lasting jobs. Since 2002 we have helped over 215,000 people back to work.
- (2) Skills and training, including traineeships, apprenticeships and pre-employment training. They have supported over 37,000 learners to achieve qualifications.

Ingeus's teams are dedicated to designing the right support for each individual to help them progress into work and in life. They work alongside over 100 partner organisations from the public, private and third sectors that share our commitment to delivering excellence with integrity.

Ingeus support a number of programmes to support people into work including apprenticeships for older workers. With offices based out of Greenock and Oban they are ideal partners for CFL.

#### Support trade union learning activity

We will continue to support Trade Union learning activity and work in partnership with the Unions to offer opportunities for improved skills and development for our staff. Programmes considered for further development include:

- British Sign Language / Makaton introduction and basic skills for customer facing staff
- Language skills development in German, Dutch and French
- Disability and accessibility awareness training for managers and staff

#### Annual sponsorship arrangements for Officer Cadets

CFL has sponsored cadets [REDACTED] and we will continue to do so in the next Contract. We will continue to run an officer Cadet Training Programme working in partnership with Northern Marine to ensure Cadets get the deep sea experience they require.



programmes are designed to consolidate, recognise and accredit the excellent service we deliver today. These programmes also ensure a common and refreshed understanding of the skills and knowledge needed to continue to deliver excellence in customer service, ensuring that our first class reputation is maintained.

We will continue to invest in disability awareness and assistance training as required by Passenger Rights Legislation throughout the life of the Contract.

**Assistance given to staff to obtain nationally accredited qualifications**

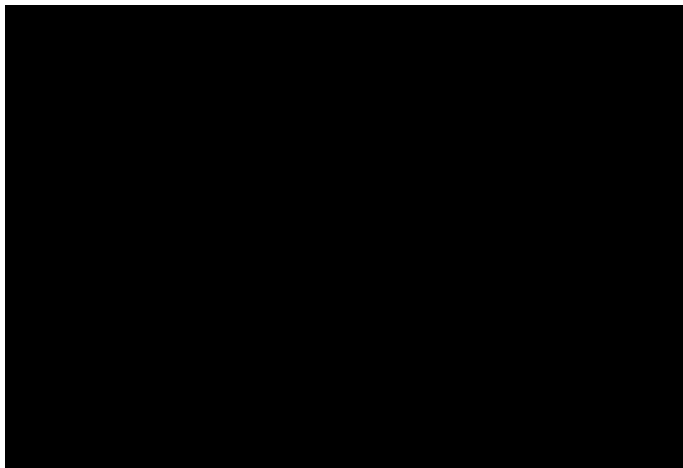
We will assist our seagoing staff to gain nationally recognised qualifications through our recently revised Progression Panel policy and procedure, and have introduced a Further Education Policy to support staff who are looking to develop their skills and knowledge.

CFL will continue to support staff through qualifications such as the Diploma in Harbour Master and Diploma in Ship Superintendancy, and relevant HR and Finance qualifications.

We also recognise the importance of developing general leadership and management capability. Our senior executives and managers benefit from nationally recognised leadership development programmes tailored to their particular development needs as identified through the performance management process. We will continue to invest in courses such as the Senior Executive Development programme delivered by Ashridge Business School, and support for MBA studies at Strathclyde University. This will ensure that staff at all levels in the organisation have the opportunity to develop and provide the right levels of strategic and operational leadership that will support the success of our service delivery well into the future.

**c) Participants shall state how much they intend to spend annually on the programme of training and development, and explain why the planned level is sufficient, appropriate and provides good value in their contribution to the delivery of the ferry service**

We will have in place an annual training budget by Contract Year as follows:



The planned level is sufficient and appropriate [redacted]  
[redacted]  
[redacted]. In

addition, it supports key Scottish Government priorities such as Modern Apprenticeships, support for young people and the digital charter.

**d) Participants are required to provide an annual report on their training and staff development, including apprenticeships and staff qualifications**

The delivery of the training plan and assessment of the Training Programme will be the responsibility of the HR Director with the support of [REDACTED] [REDACTED] [REDACTED] [REDACTED]. They will be responsible for the monitoring and management of learning and development and will report monthly on:

- » Number of training days delivered
- » Number of employees participating in training
- » Attendance at formal training
- » Costs of training
- » Future planned training

This report will be produced using data from our LMS once introduced and fully populated. We will use this information, along with assessments on the effectiveness of our Training Programme, to produce the annual report, which will be shared with Transport Scotland by our HR Director.

**e) Participants shall provide details on how they would avoid high staff turnover - noting that proposals must ensure there will be sufficient numbers of appropriately trained staff available at the end of the Contract Period to ensure the continuation of the CHFS Services into the next contract.**

CFL, will maintain its low levels of staff turnover through fair employment practices as well as offering the opportunity for career progression and enhancement through promotions and internal moves.

We will develop a talent pool of future leaders and managers through our Modern Apprenticeship, trainee and cadet programmes. Through the development of this future workforce, we will ensure that should employees leave we have ready, appropriately trained and skilled staff available to move into vacant roles.

Through our work readiness programmes with JCP and others, we will develop a pool of skilled staff with the appropriate training and certification to take opportunities within CFL that we will advertise and recruit locally.

[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

Through a combination of these activities, and our continued approach as a fair and equitable employer, we will avoid high turnover and offer alternative staffing solutions to ensure our excellent service delivery throughout the Contract Period and to ensure the continuation of the CHFS Services into the next Contract.

### Measurement

To measure the impact of our learning and development and assure the success of our training plans, we will undertake analysis of employee data, historic retirement data and proposed resource plans on a monthly basis. This data will be used to

forecast resource need across the Contract and align training, development and recruitment plans accordingly.

Adopting the IIP approach and implementing this across our business will ensure continuous improvement, and improved leadership to sustain such improvement.

#### Benefits of this approach

The benefits of our approach to learning and development and this training plan will deliver:

- » Increased employee skills levels to standards required
- » Customer facing staff will meet the diverse needs of customers / passengers
- » Employees will have clear pathways for their personal development, increasing staff retention and commitment to the CFL brand
- » Benefits of leadership development – succession planning and improved leadership and management across the whole workforce. This will result in empowerment, continuous improvement and leadership
- » Work with local stakeholders to provide training will increase investment in the Scottish economy
- » Enhanced opportunities for young people
- » Secure future skilled staff to ensure long-term sustainability of service
- » Involving Trades Unions in our training plans will improve working relations and provide access to additional learning and development opportunities for our employees
- » Develop a future workforce and talent pool
- » Investment in wider UK maritime skills development
- » Improved induction will foster motivation and engagement from early stages of employment and contribute to modelling of behaviours we seek
- » Recognised skills and qualifications for all employees
- » Clear reporting on performance of training plan to Transport Scotland and lines of responsibility

This will enable us to identify the long-term staffing requirements of the contract and manage any potential skill shortages.

## Service offerings and contractual undertakings milestones



Contractual undertakings	Milestone date
Obtain basic IIP accreditation by the end of CY2.	CY2
Achieve IIP Silver accreditation by the end of CY4.	CY4
Invest in a Learning Management System to allow us to plan and manage our training and development activities more effectively and efficiently. This new system will also allow us to review, assess and report on the effectiveness of our training	Service Commencement
Ten Officer Cadets in place each year	Service Commencement
Ten Deck and Engine Ratings trainees in place each year	Service Commencement
Six Modern Apprentices in place each year	CY2
Four work placements in place each year	CY2
Undertake an ongoing rolling programmes of customer service training with WorldHost accreditation	Service Commencement
Report monthly on training data and produce an annual report for Transport Scotland.	Service Commencement
All new employees will undertake a formal company induction programme.	Service Commencement
Work in partnership with the Trades Unions and support Trade Union learning activity throughout the contract term.	Service Commencement

CY\* - Contract Year

1.9.7 Training Programme

**Service offerings and contractual undertakings**

a) Not used

b) Organisation of training

Line of command and communication links

Learning and Development is the responsibility of all staff and managers, with accountability for their own development and the development of their teams. The Director of HR will have overall responsibility for training provision, [REDACTED] [REDACTED] he Director of HR has budget responsibility for all learning and development and will produce annual reports as required.

[REDACTED]

[REDACTED]







- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

We will undertake evaluation of both formal and informal training through feedback both at the time of the training / development event and at six weeks following the event to see what the impact and effectiveness has been and what (if relevant) employees are doing differently in their day-to-day work as a result.

### Benefits of this approach

The benefits of our Training Programme and approach include:

- » Demonstrate organised process and approach to the development of employees to ensure a qualified, skilled workforce
- » Increased employee skills levels to standards required
- » Employees will have clear pathways for their personal development, increasing staff retention and commitment to the CFL brand
- » Benefits of leadership development – succession planning and improved leadership and management across the whole workforce
- » Clear reporting on performance of training plan to Transport Scotland and lines of responsibility
- » Understanding of costs and participation and impact of training

### Service offerings and contractual undertakings milestones

Contractual undertakings	Milestone date
We will have in place a comprehensive Training Plan by role and grade for each position for both vessels and ports employees.	Service Commencement
The HR Director will report annually on the Training Programme.	CY*2
All training and certification will be recorded on a central Learning Management System by the Learning and Development Team within HR.	CY2

*CY\* - Contract Year*

**1.9.8 Key Staff****Service offerings and contractual undertakings**

CFL's organisation for delivering the Contract contains the following roles (mapped to the roles specified in the ISFT):

ISFT role	CFL Role
* Managing Director / Chief Executive	* Managing Director
* Operations Manager / Director	* Director of Service Delivery
* Finance Director	* Director of Finance, IS, Risk and Legal
* Technical Manager / Director	* Asset Management Director
* Environmental Manager	* Head of Health, Safety, Quality and Environment
* Quality Manager / Director	* Head of Health, Safety, Quality and Environment
* Health and Safety Manager / Director	* Head of Health, Safety, Quality and Environment
The Designated Person Ashore	Head of Regional Service Delivery
* HR Manager / Director	* Director of Human Resources
* Marketing Manager	* Director of Customer, Sales and Marketing
Transport Integration Manager	Transport Integration Manager
* Stakeholder Engagement Manager	* Director of Community and Stakeholder Engagement

\* *Board member or senior direct report to Board*

**The CFL organisation to deliver CHFS**

The CFL organisation structure provides:

- » Clear accountabilities, roles and responsibilities
- » Fewer management layers
- » Elimination of overlap and duplication
- » Decision-making at the appropriate levels
- » Increased empowerment and ownership

We have introduced a new Customer Sales and Marketing directorate that will be responsible for setting the standards for all customer service and interaction. [REDACTED]

[REDACTED]

[REDACTED]

[Redacted]

We have introduced the new role of Director, Community and Stakeholder Engagement to lead our community, stakeholder and corporate social responsibility strategies and ensure consistency of engagement. [Redacted]

[Redacted]

[Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

[Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

[Redacted]

- [Redacted]

- [Redacted]

### Communities at the heart of the operation

- » New high-profile roles focused specifically on communities and stakeholders

**The Proposed Organisation for the new Contract**

## CHFS Executive Team and summary purpose statements



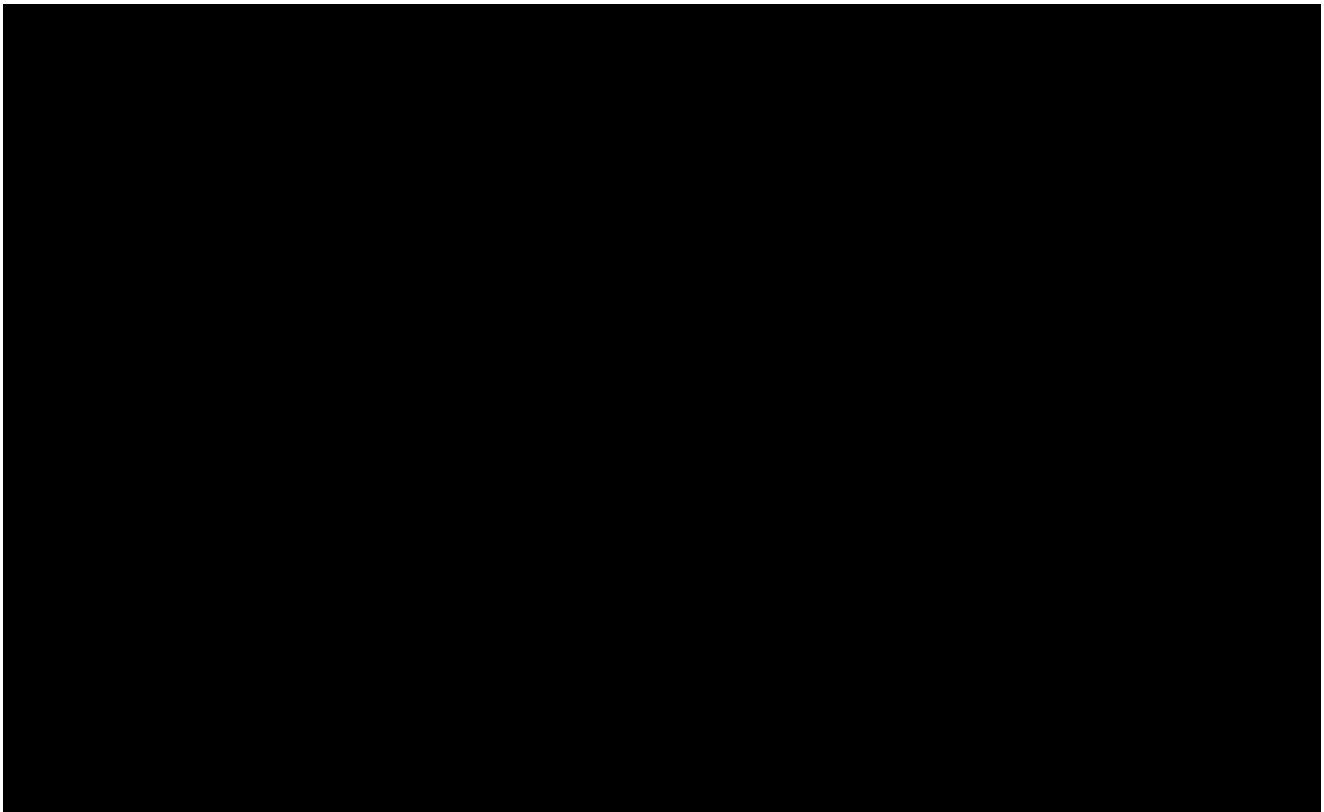
Figure 1.9.8 (b) the Executive Team.

The Executive Team will lead the delivery of the Contract. This team will be accountable for the successful management of the Contract and will continue to instil a sense of ownership, responsibility and pride in serving CHFS customers, communities and stakeholders.

Job Descriptions for these roles have been provided in 1.9.8 Appendix A.

The management structures below the Executive Team are contained in the following pages.

Service Delivery – management structure



*Figure 1.9.8 (c) the Service Delivery management team.*

The purpose of the Service Delivery function is to deliver all operational requirements, fleet and shore-side, against the Contract and the customer, commercial and community strategies.

The Service Delivery function will be responsible for:

- » Service delivery strategy and plan
- » A reliable and punctual service against timetable
- » Port and harbour Services
- » Vessel utilisation against plan, timetable and budget

The Director, Service Delivery is accountable for the operational delivery of CHFS Services and, in that role, is responsible for the company's response in the event of accidents etc.

[Redacted text block]

[Redacted text block]

[REDACTED]

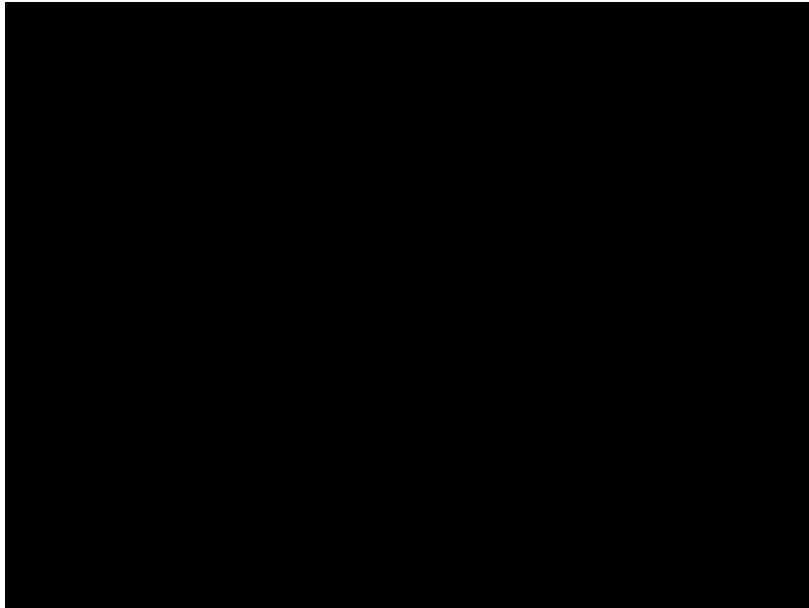
Further details of the Service Delivery structure are outlined below:

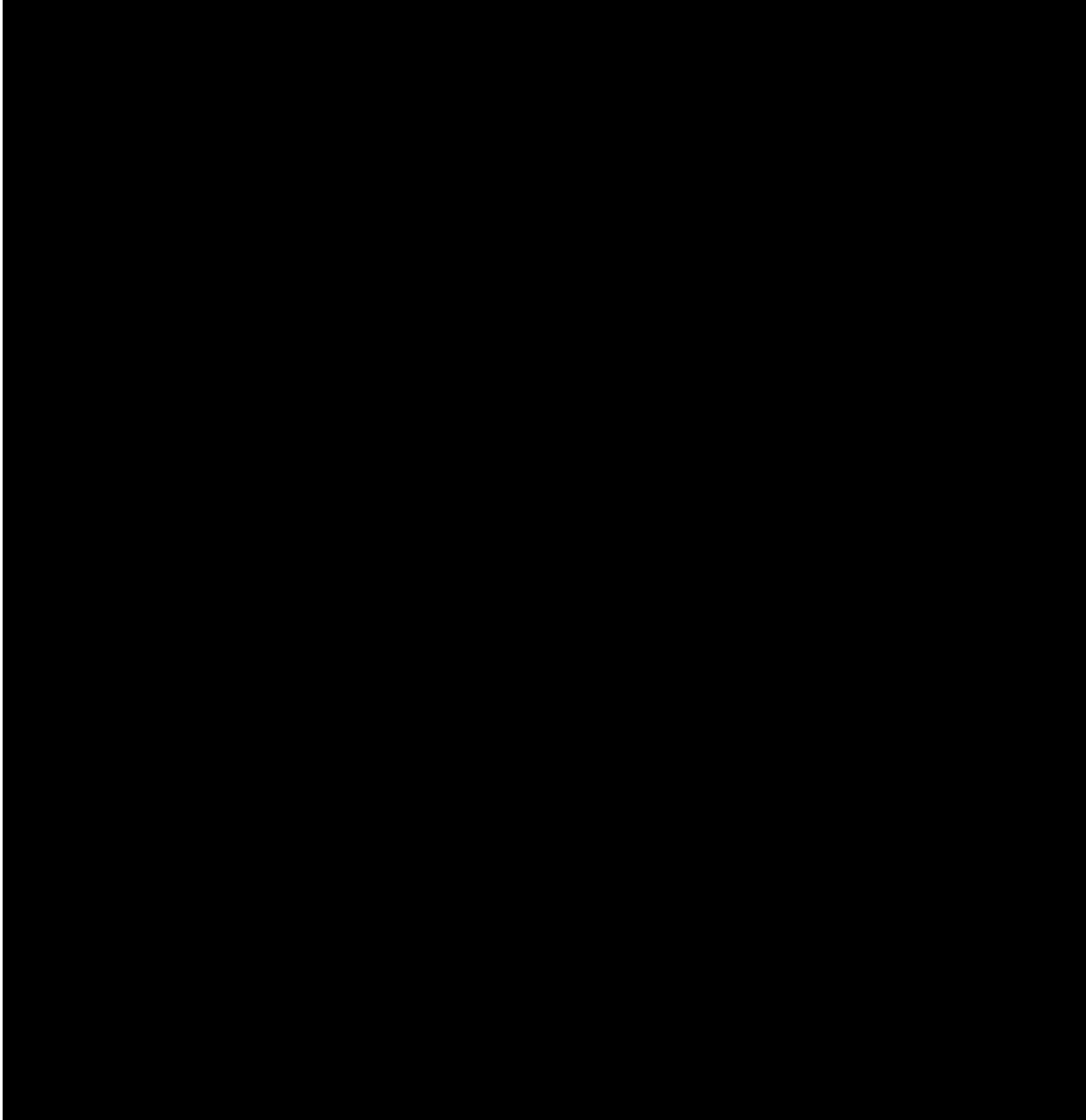
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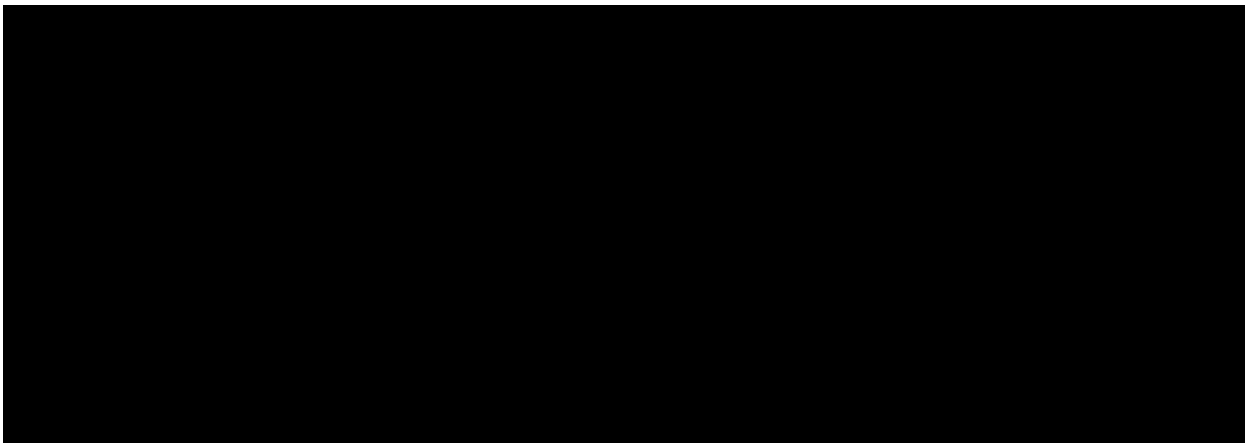
Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 11





Asset Management





Finance, Information Systems (IS), Risk and Legal – management structure

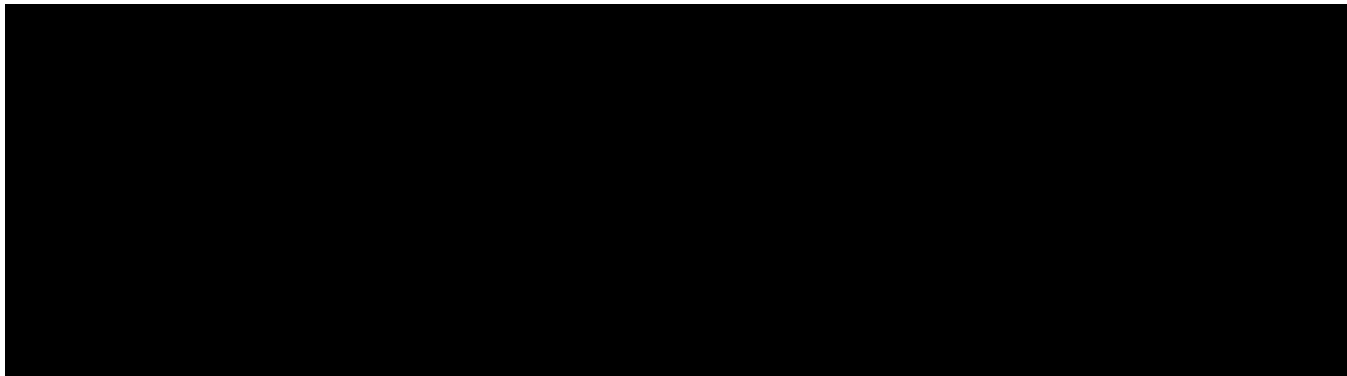
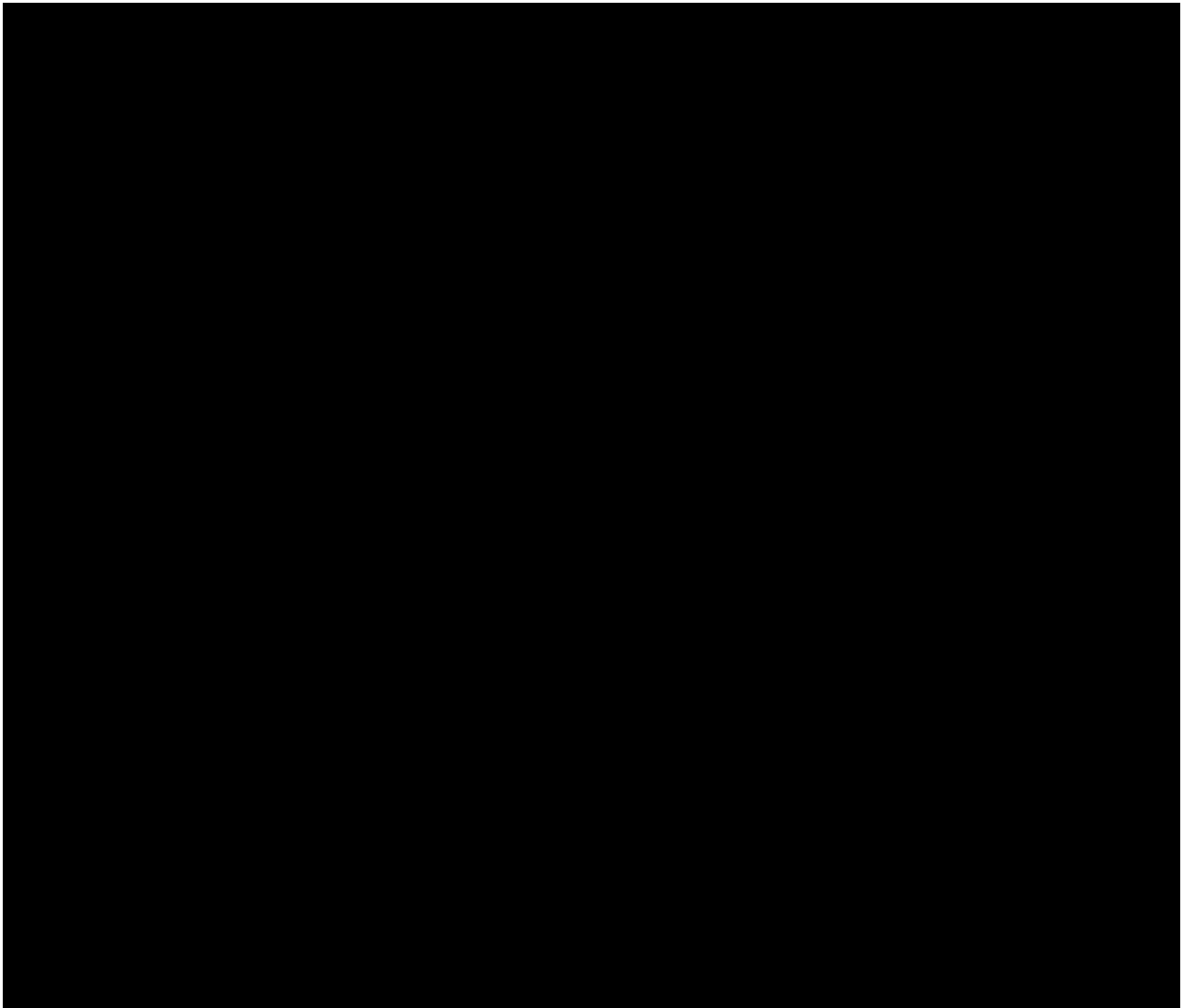


Figure 1.9.8 (h) Finance top level structure.



*Figure 1.9.8 (i) the Finance, Information Systems, Risk and Legal management team.*

The Finance, IS, Risk and Legal function will manage Contract delivery, finance and risk activities, in line with CFL policies and frameworks, and the specific requirements of the Contract. They will also provide information services and systems that enable effective and efficient delivery of the Contract.

The Finance, IS, Risk and Legal function will be responsible for:

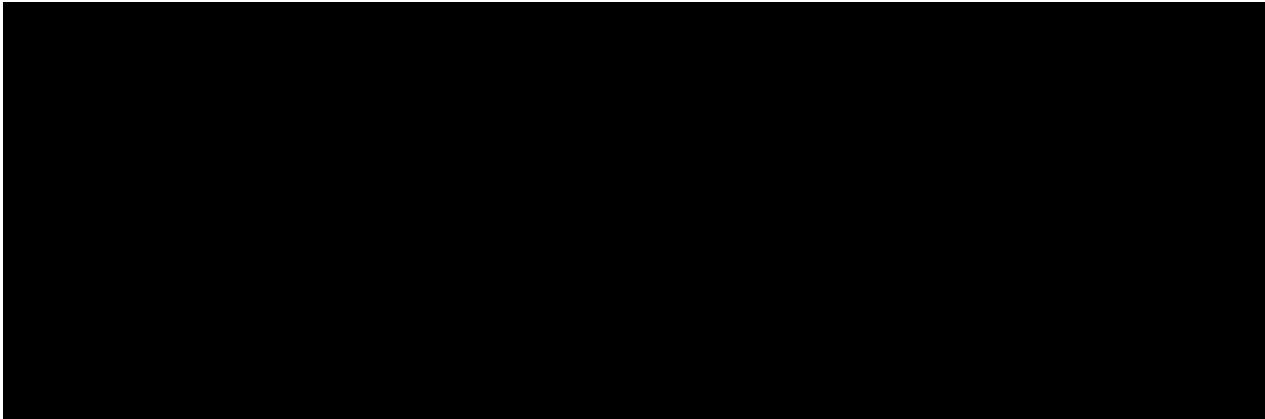
- » Client contract management
- » Finance, risk and legal strategy and plan
- » Statutory and management accounting
- » Finance operations
- » Procurement
- » Risk management
- » Business support
- » Performance management

- » Programme and project management
- » Facilities and office services
- » Information services and systems
- » Telecoms and networking services
- » Information management and security

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### Health, Safety, Quality and Environment – management structure



*Figure 1.9.8 (k) the Health, Safety, Quality and Environment management team.*

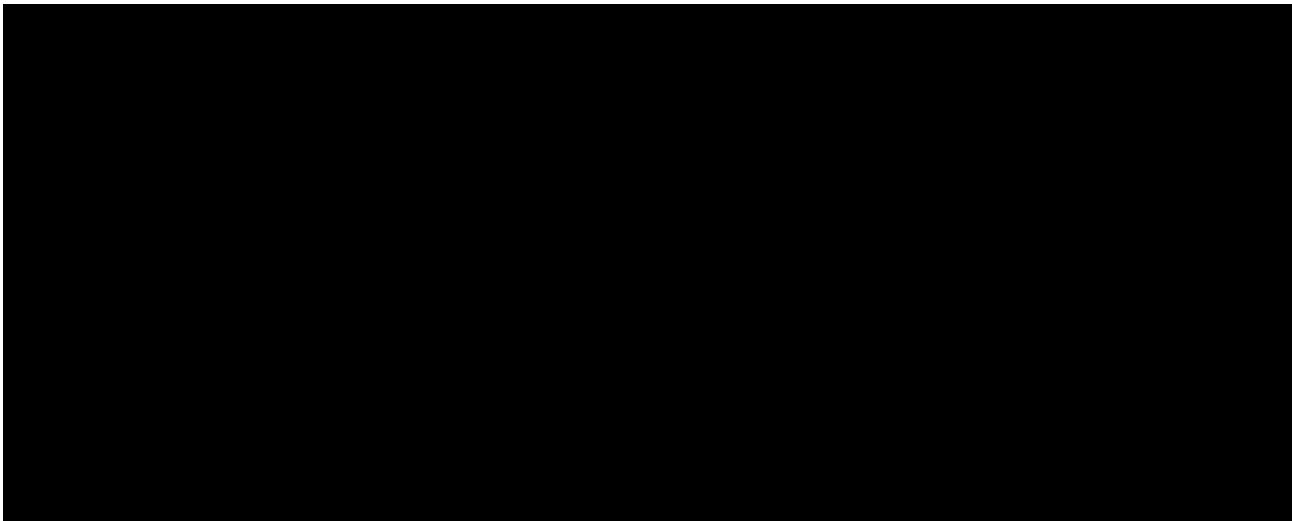
The purpose of the Health, Safety, Quality and Environment (HSQE) function is to ensure CHFS operates to the highest standards of safety in everything it does, and to comply with all good-practice quality and environmental standards.

The HSQE function will be responsible for:

- » Safety, Quality and Environment strategy and plan
- » Delivery against the Safety, Quality and Environment Plan
- » Legal compliance for Health, Safety and Environment
- » 100% safety record

#### Designated Person Ashore

The Designated Person Ashore role will be the responsibility of the Heads of Regional Service Delivery. They will both have direct reporting line to the Managing Director in this role.

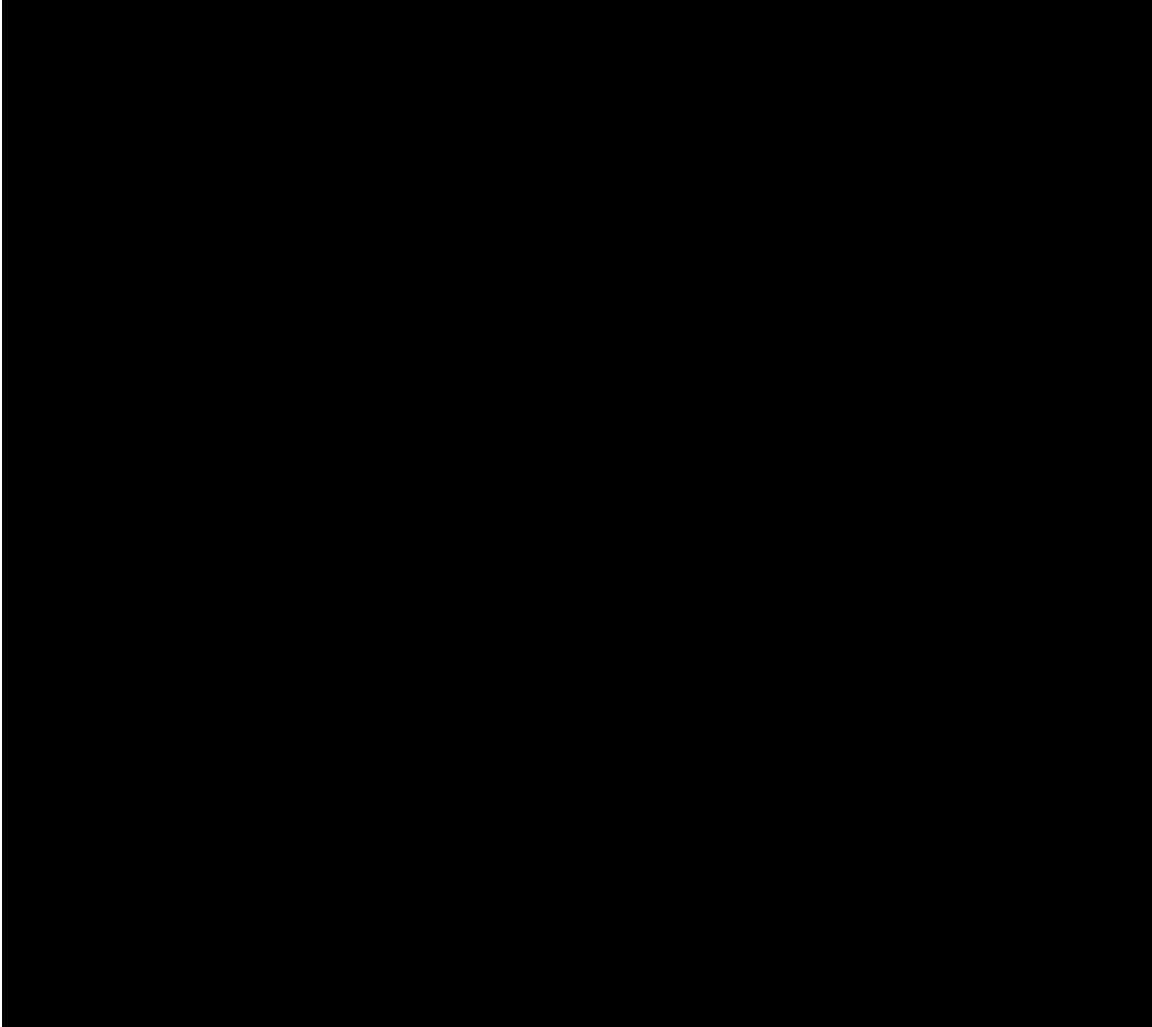


*Figure 1.9.8 (l) The Designated Person Ashore.*

██ will be responsible for ensuring the safe operation of each vessel and will provide a link between CFL and those on-board. They will also be responsible for monitoring the

safety and pollution prevention aspects of the operation of each vessel and ensuring that adequate resources and shore-based support are provided.

#### Human Resources – management structure



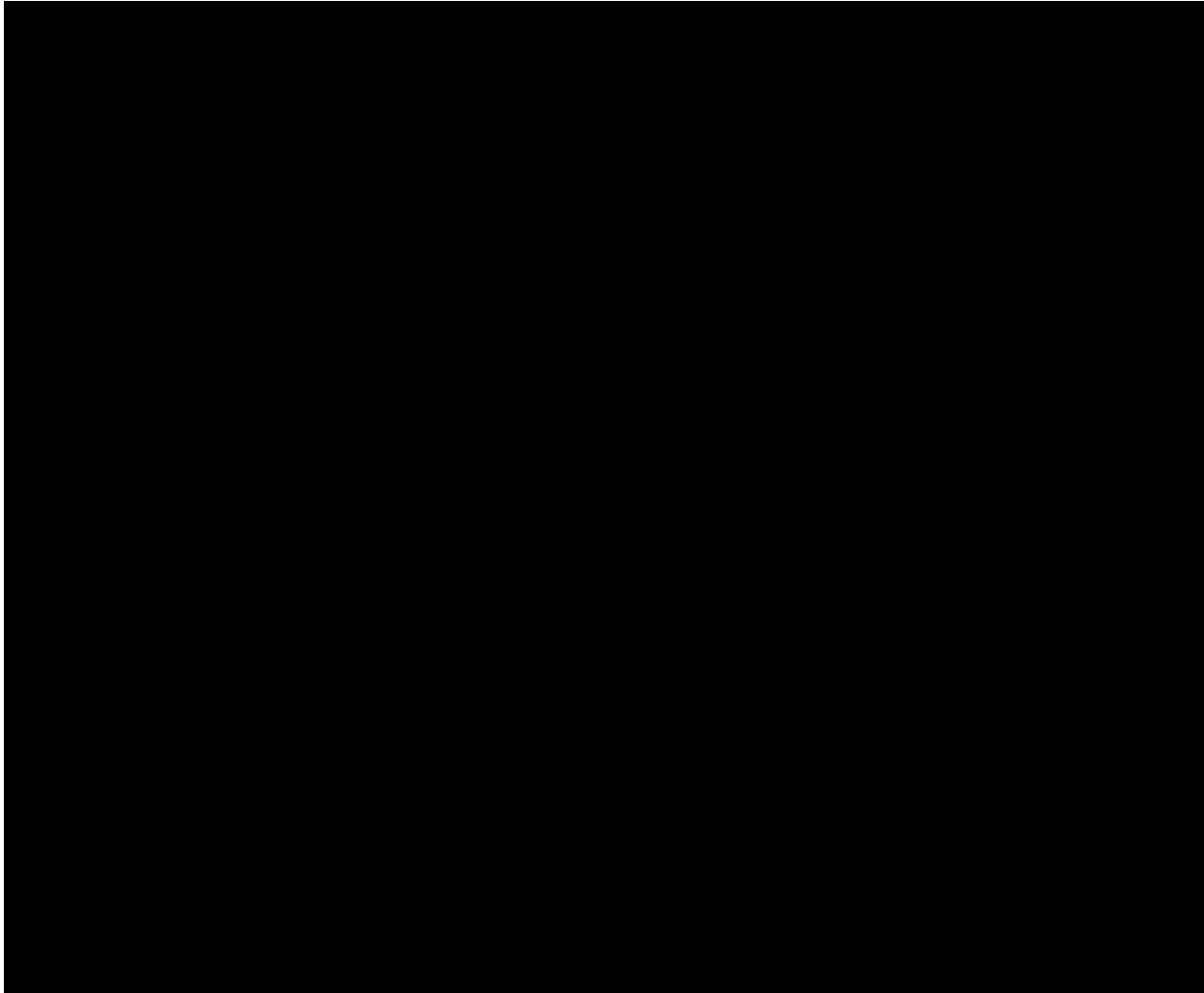
*Figure 1.9.8 (m) the Human Resources management team.*

The purpose of the HR function is to provide HR services which ensure that CHFS has the right people, with the right skills and behaviours, in the right place, at the right time, for delivery of the Contract.

The HR function will be responsible for:

- » People and HR strategy, plan and policies
- » The right people, with the right skills and behaviours, in the right place, at the right time
- » Learning and development strategy, plans and policies
- » An engaged and motivated workforce who are well informed

## Customer Sales and Marketing – management structure



*Figure 1.9.8 (n) the Customer Sales and Marketing management team.*

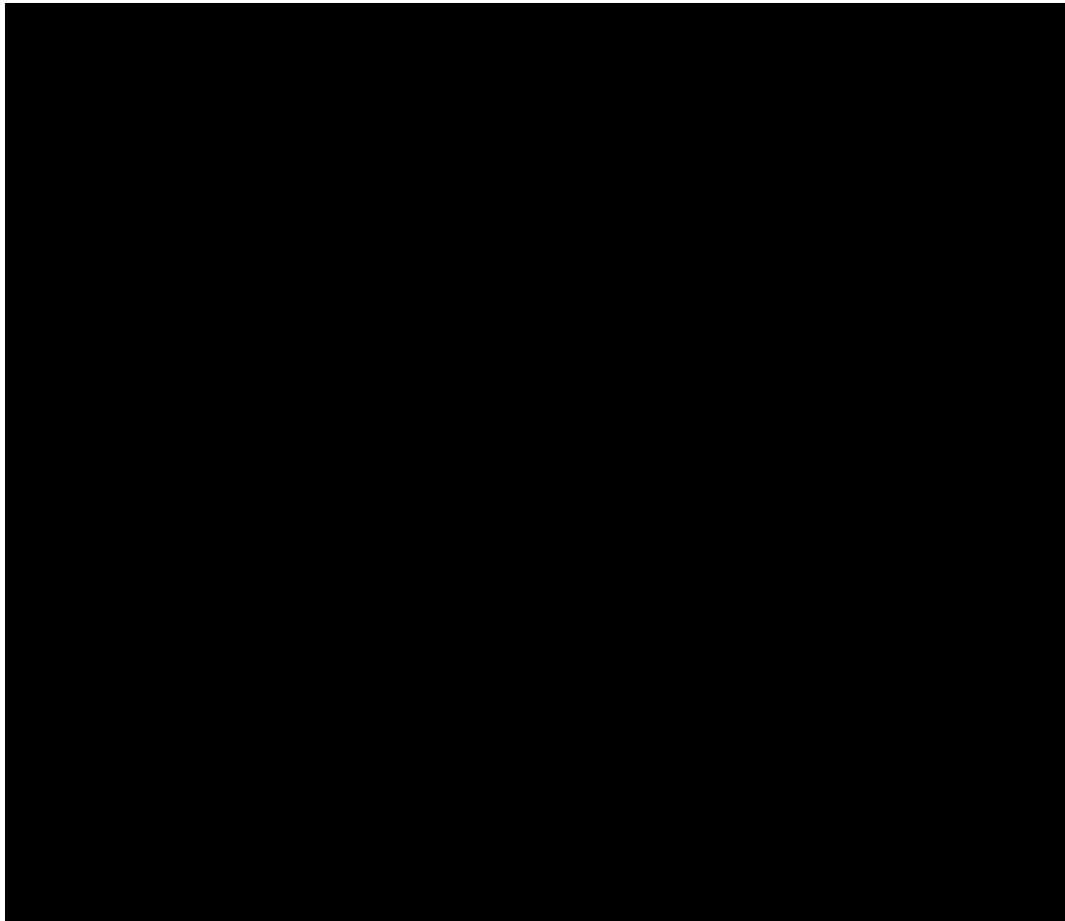
The purpose of the Customer, Sales and Marketing department is to define and manage the customer and commercial strategy and channels, ensuring compliance with Contract terms, customer needs and revenue growth.

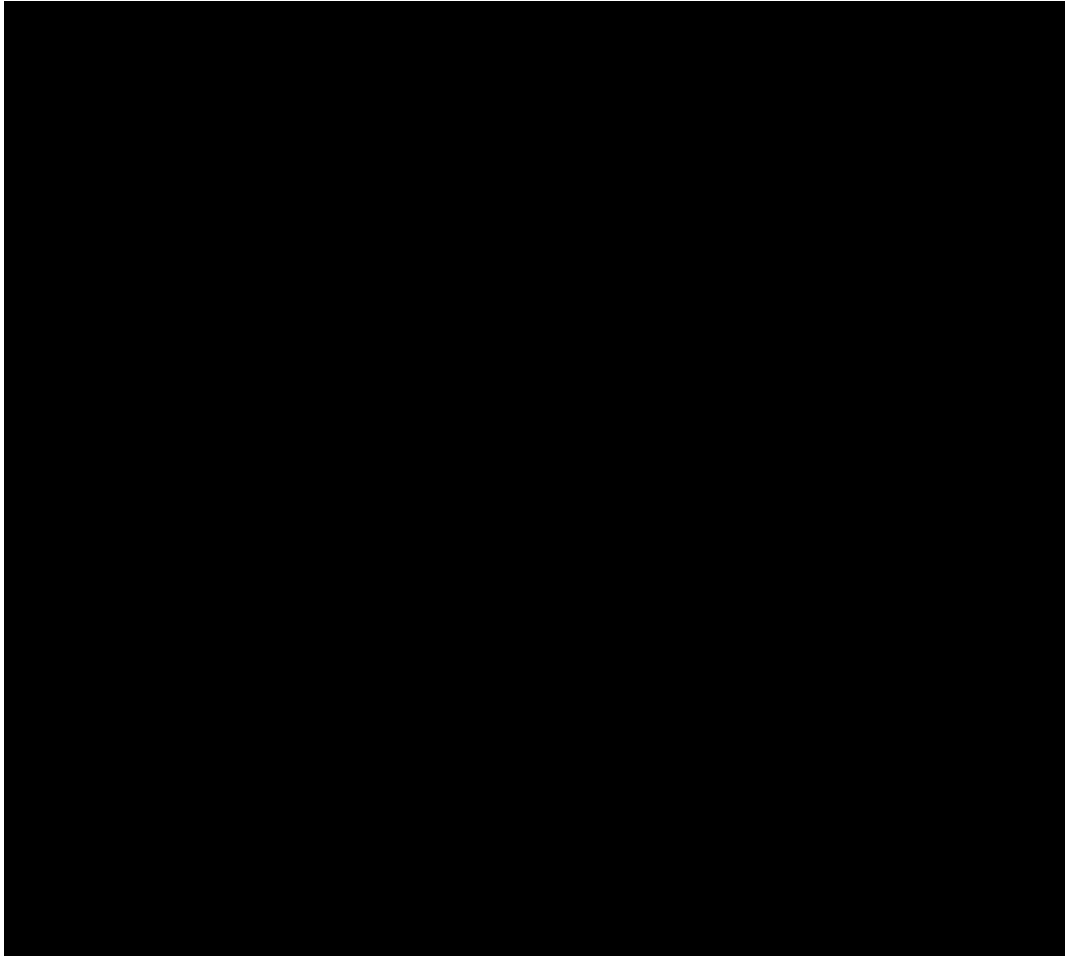
The Customer, Sales and Marketing function will be responsible for:

- » Customer and channel strategy, policies, principles, standards and enhancements
- » Shore-side and on-board retailing and facilities strategy
- » Customer experience and customer journey plan for all customer segments, across all touch-points
- » Customer experience standards and processes
- » Pricing, booking and ticketing strategy
- » Timetable
- » Smart and integrated travel policies, principles and standards
- » Disruption strategy, policies and practices

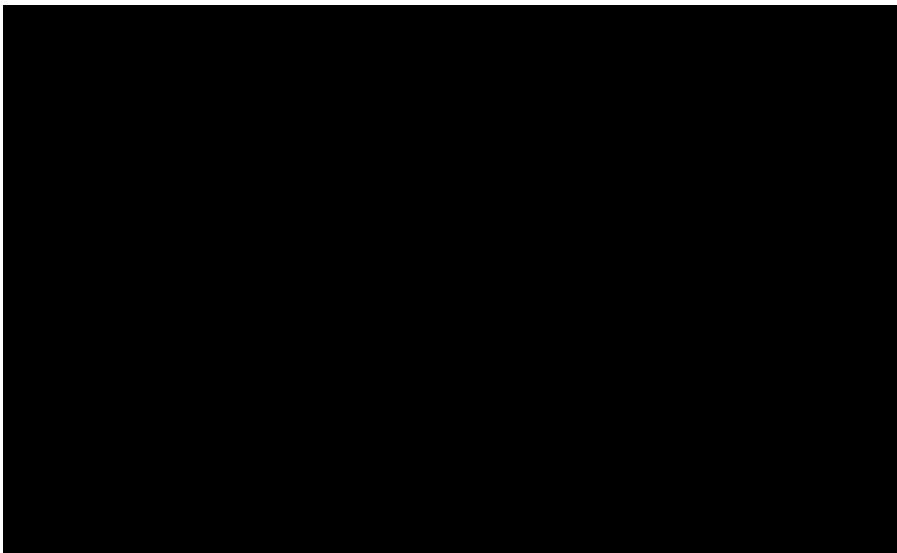


Further detailed organisation structures for the Customer, Sales and Marketing team are outlined in Figure 1.9.8 (o).





Community and Stakeholder Engagement – management structure



*Figure 1.9.8 (q) the Community and stakeholder engagement management team.*

The purpose of the Director, Community and Stakeholder Engagement is to define and manage the CHFS community, stakeholder and Corporate Social Responsibility strategies, ensuring a clear CHFS 'voice' and effective multilateral communication

between the CFL organisation and its communities and stakeholders. They will be supported by a Corporate Social Responsibility (CSR) Manager

The Community and Stakeholder function will be responsible for:

- » Community and stakeholder engagement strategy and plan
- » Development and reporting on the CSR plan and activity
- » Clear accountabilities for community and stakeholder engagement across CHFS
- » A positive and constructive relationship with CHFS communities and stakeholders

This is a new role that will be instrumental in understanding and engaging with our many and diverse communities and stakeholders. It is important to note that this role is not responsible for all engagement activities, which will stay in the hands of the most appropriately placed people in CFL. The Director's role will be to ensure consistency and quality of engagement and to ensure that outcomes are successfully delivered.

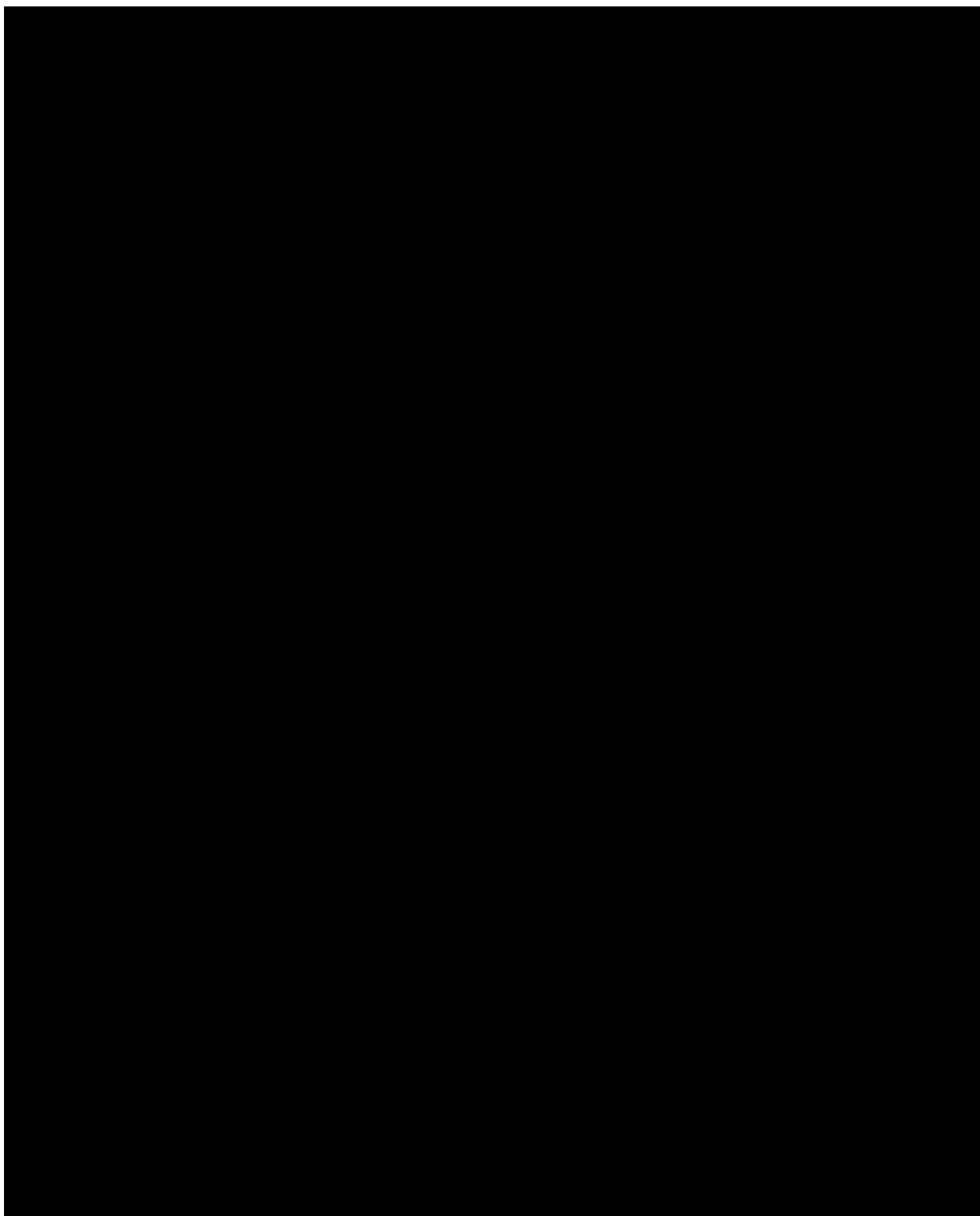
### Service offerings and contractual undertakings milestones

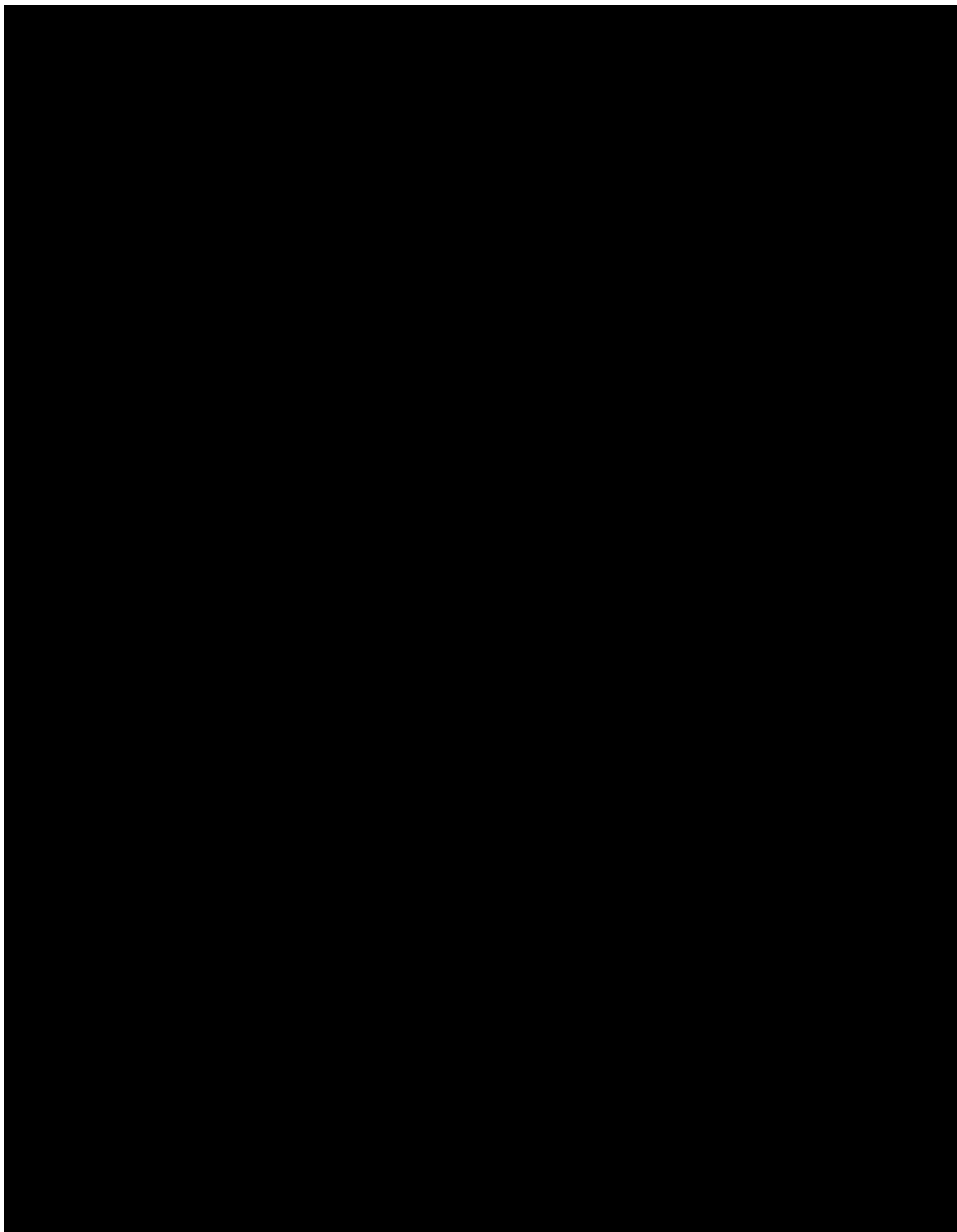
Contractual undertakings	Milestone date
Deliver the schedule of Key Personnel (in the form set out in Schedule 11 PSC) to the Scottish Ministers prior to Commencement Date	Service Commencement
We will obtain the consent of the Scottish Ministers and (where possible) provide one month's written notice before removing or replacing a member of Key Personnel.	Service Commencement and ongoing
Key Personnel role will not be vacant for more than ten business days	Service Commencement and ongoing
Any replacement for Key Personnel shall be competent and have equal or greater experience than incumbent	Service Commencement and ongoing

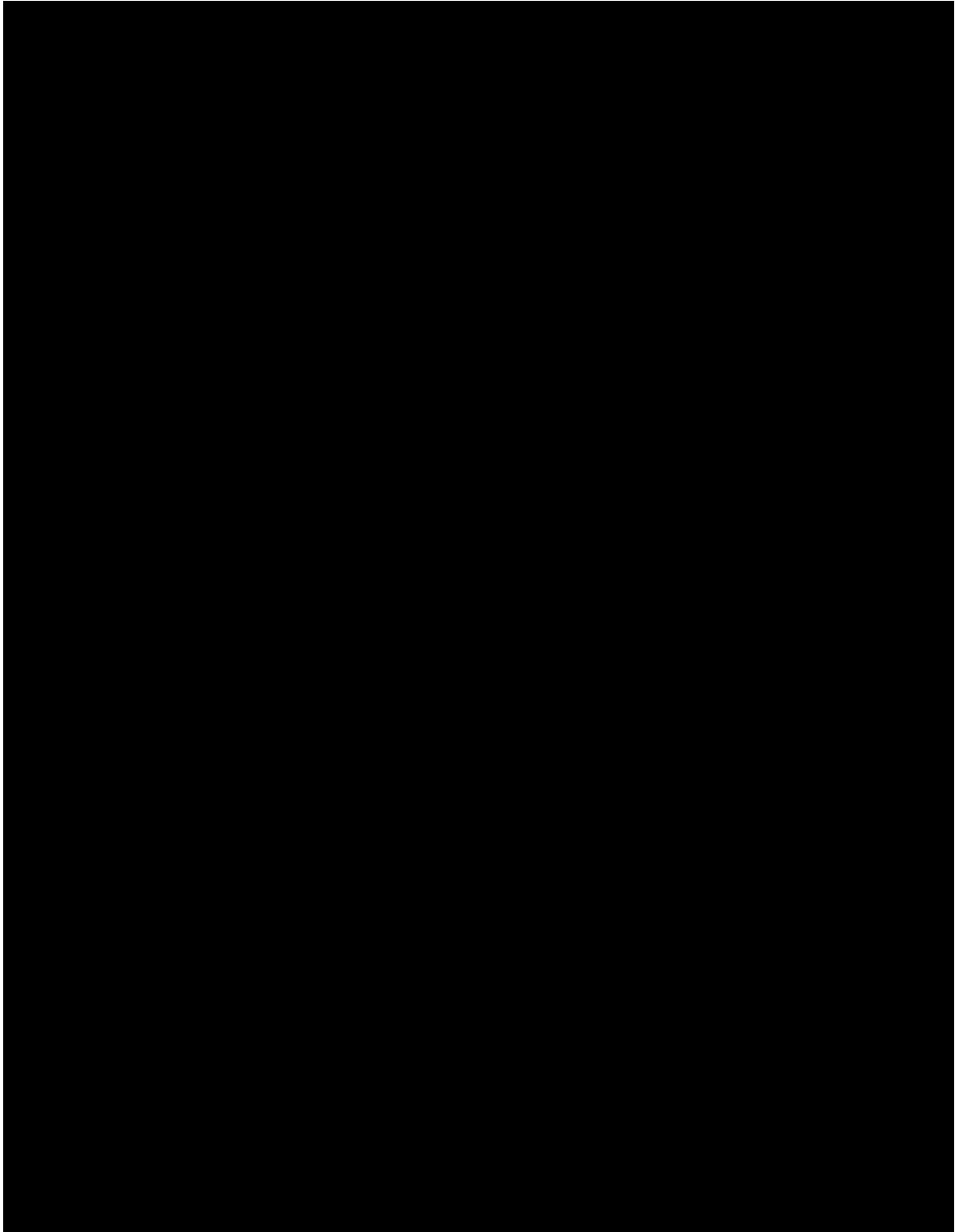
### 1.9.1 Appendix A – Crewing configurations and numbers

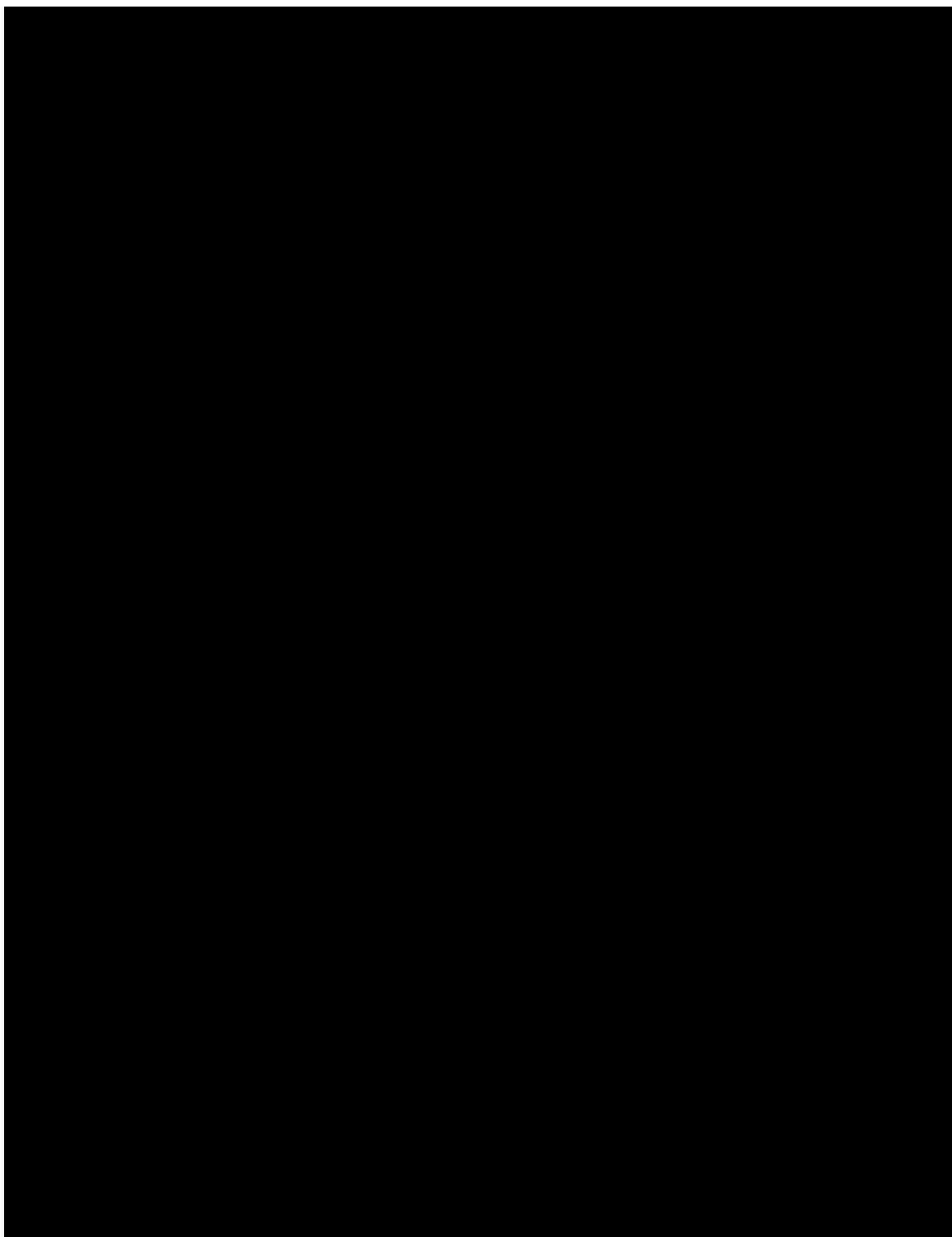
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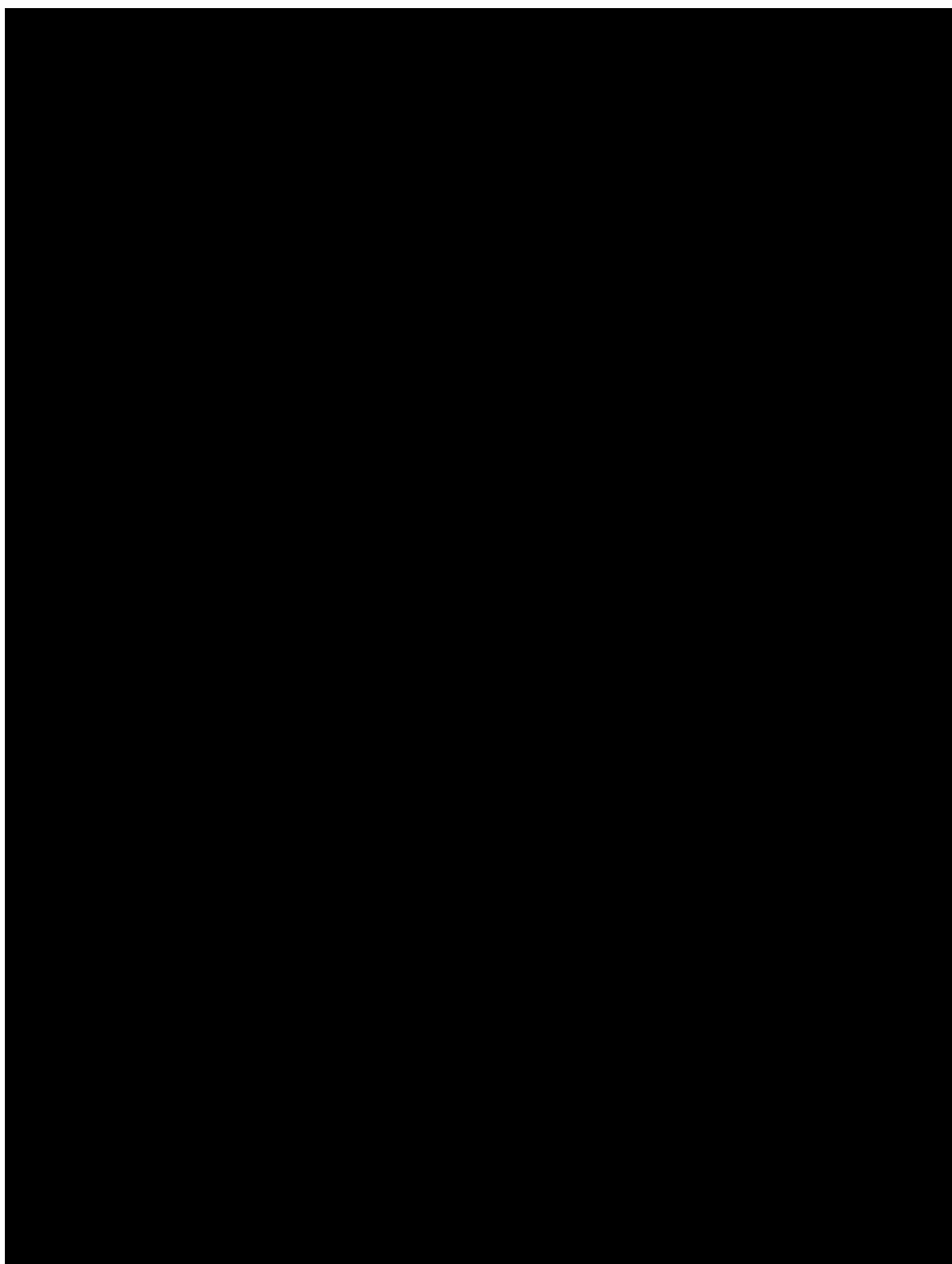


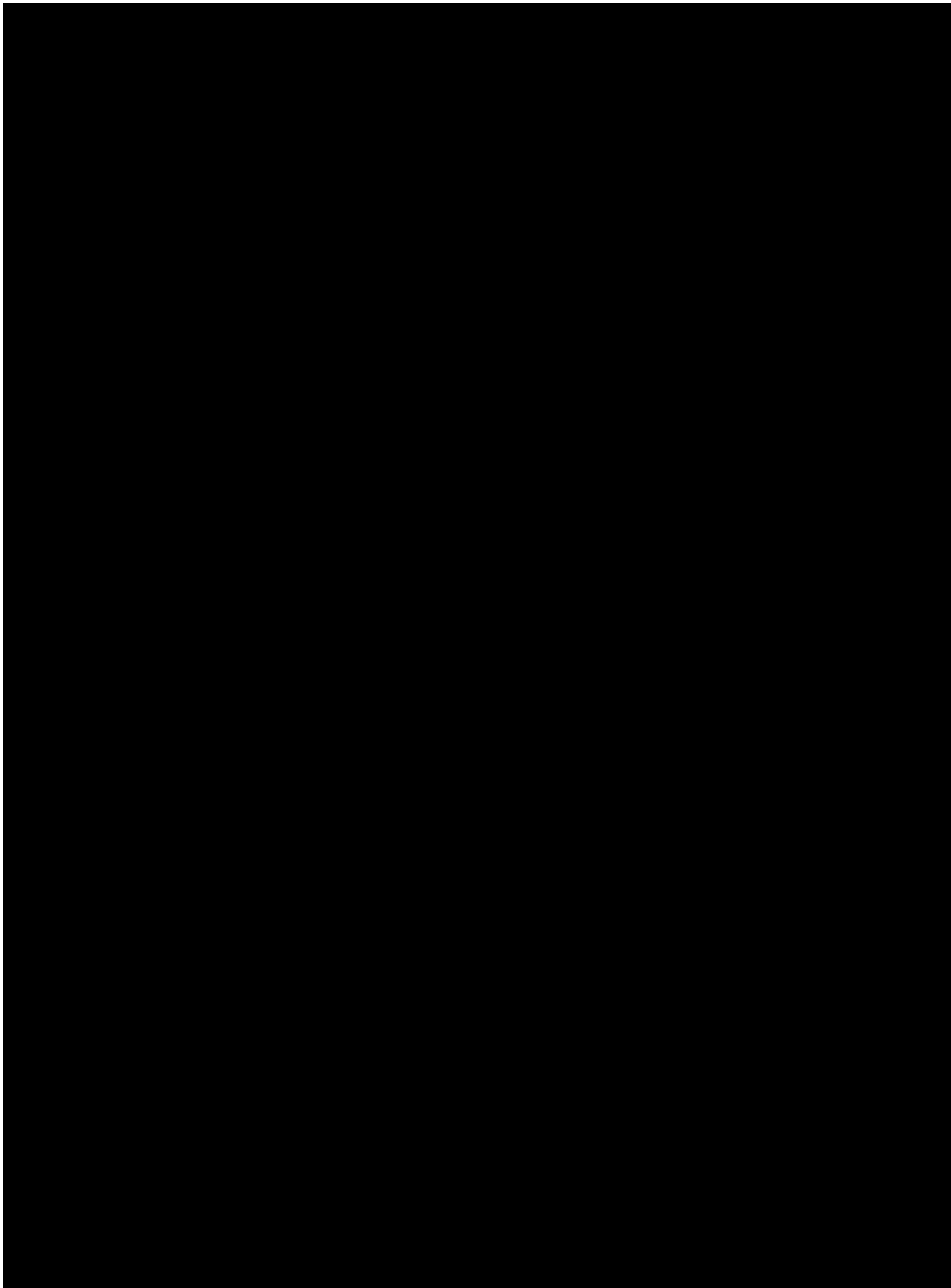


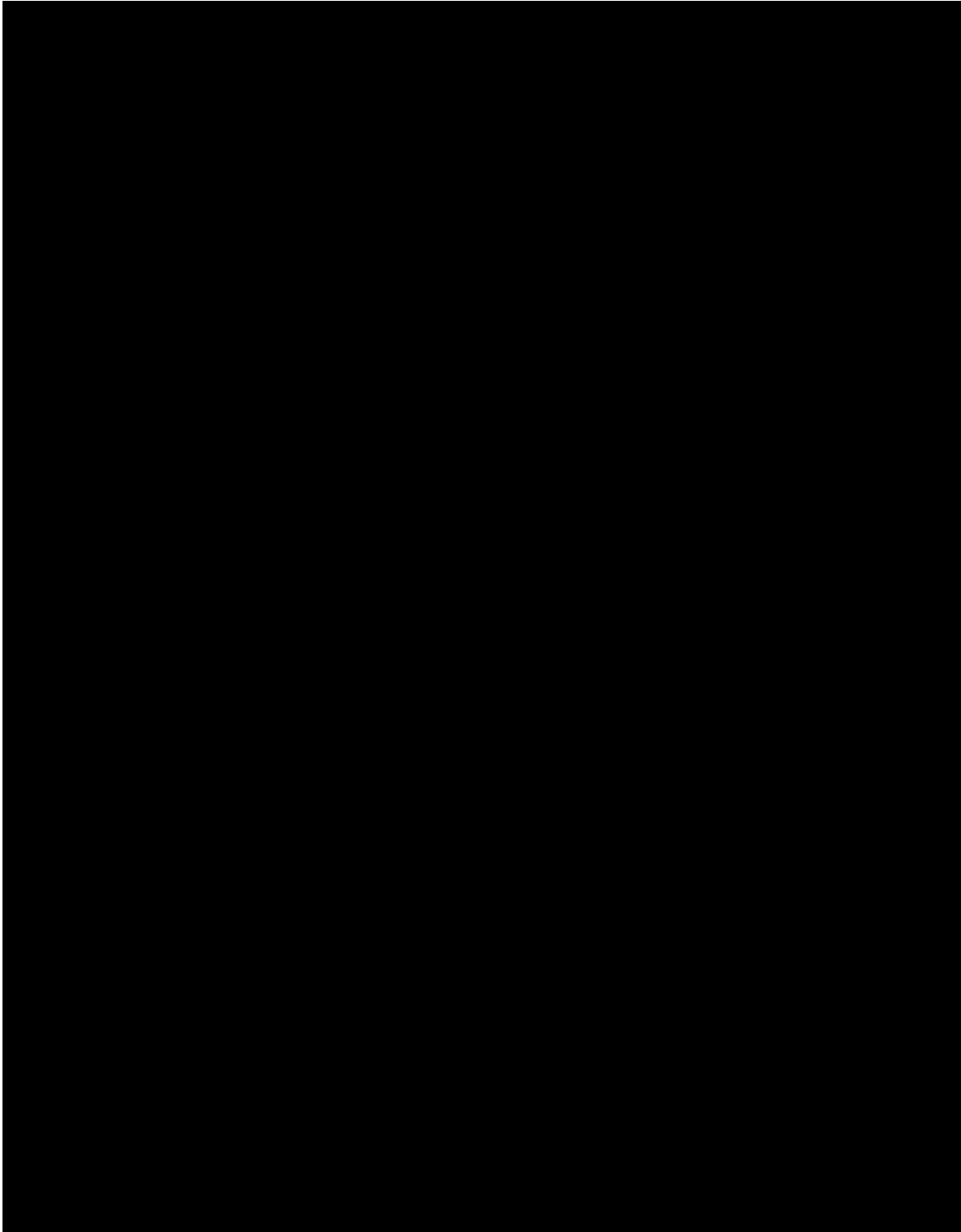


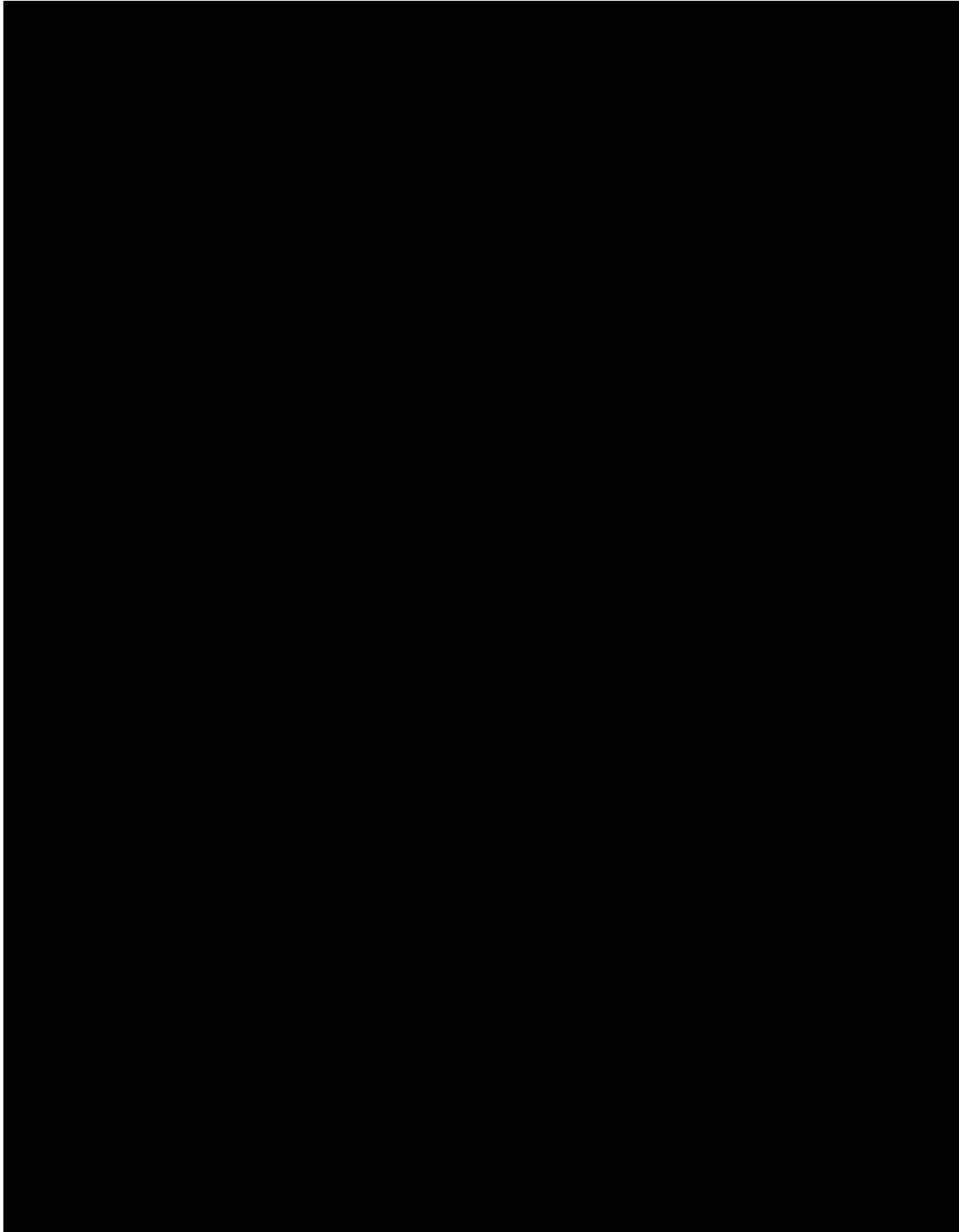


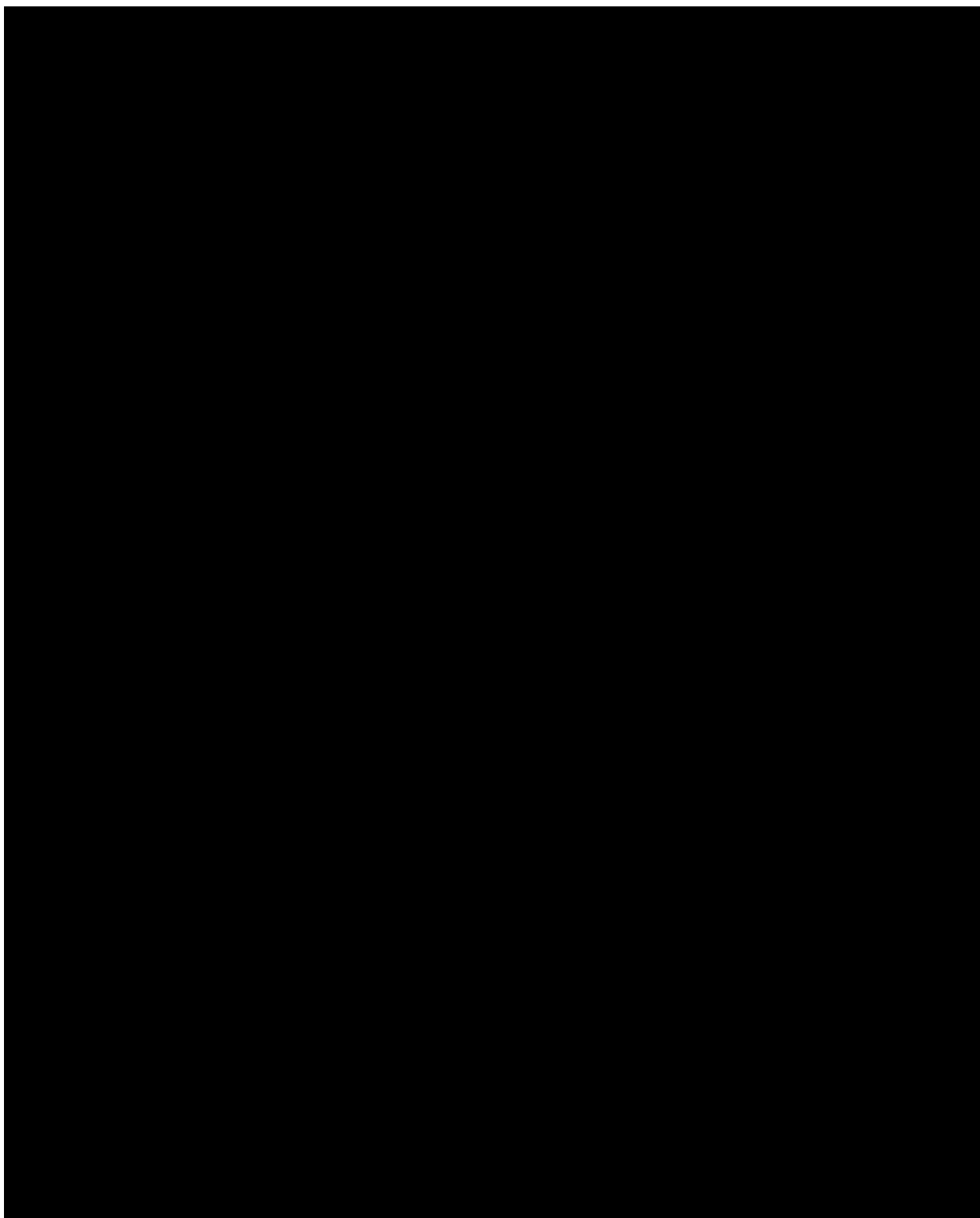


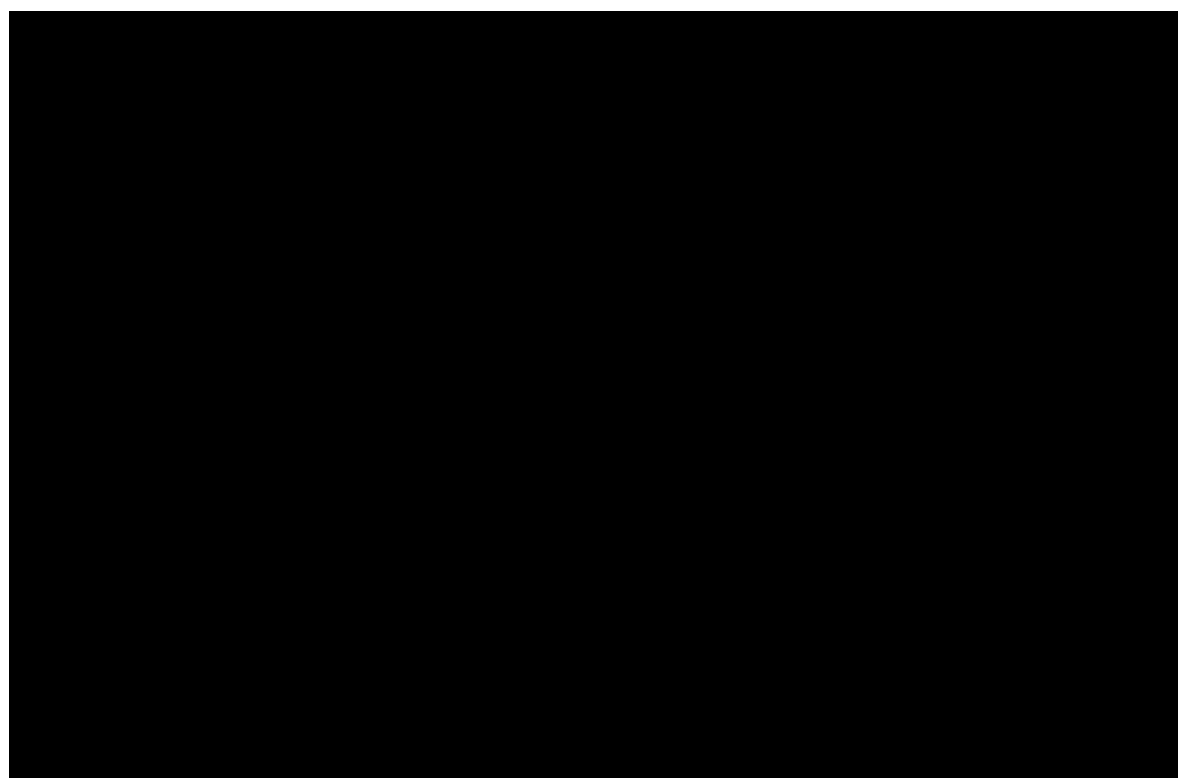
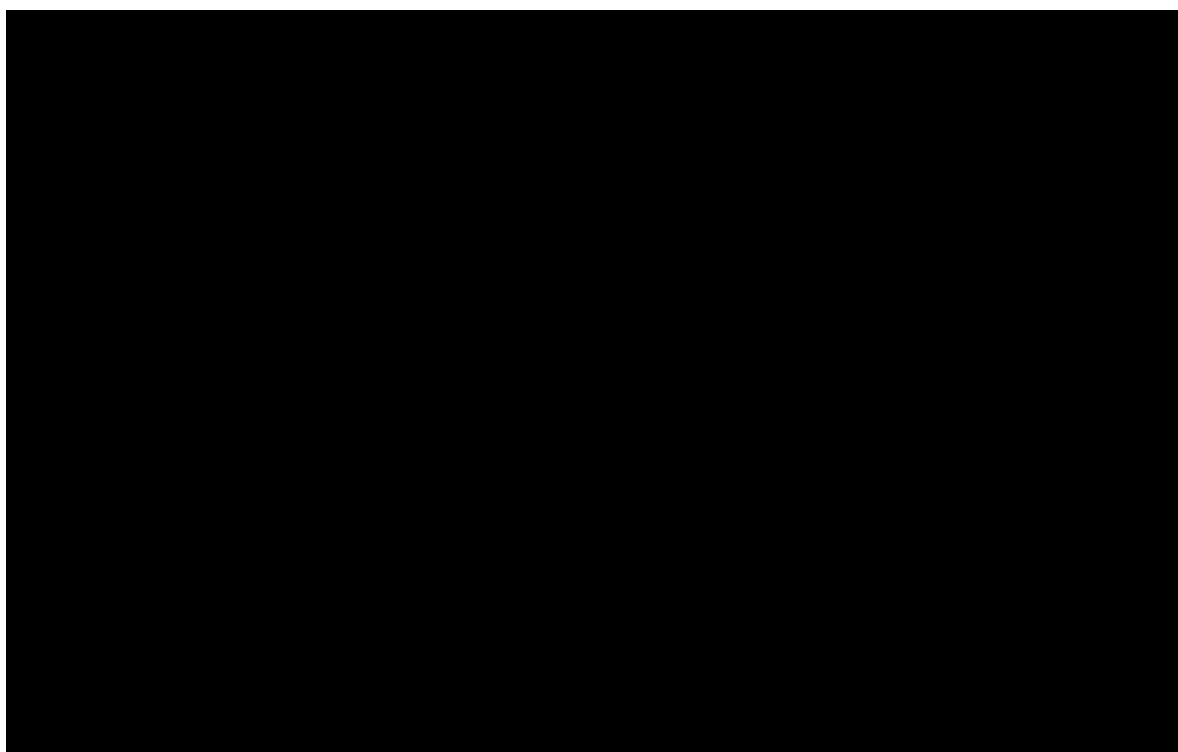


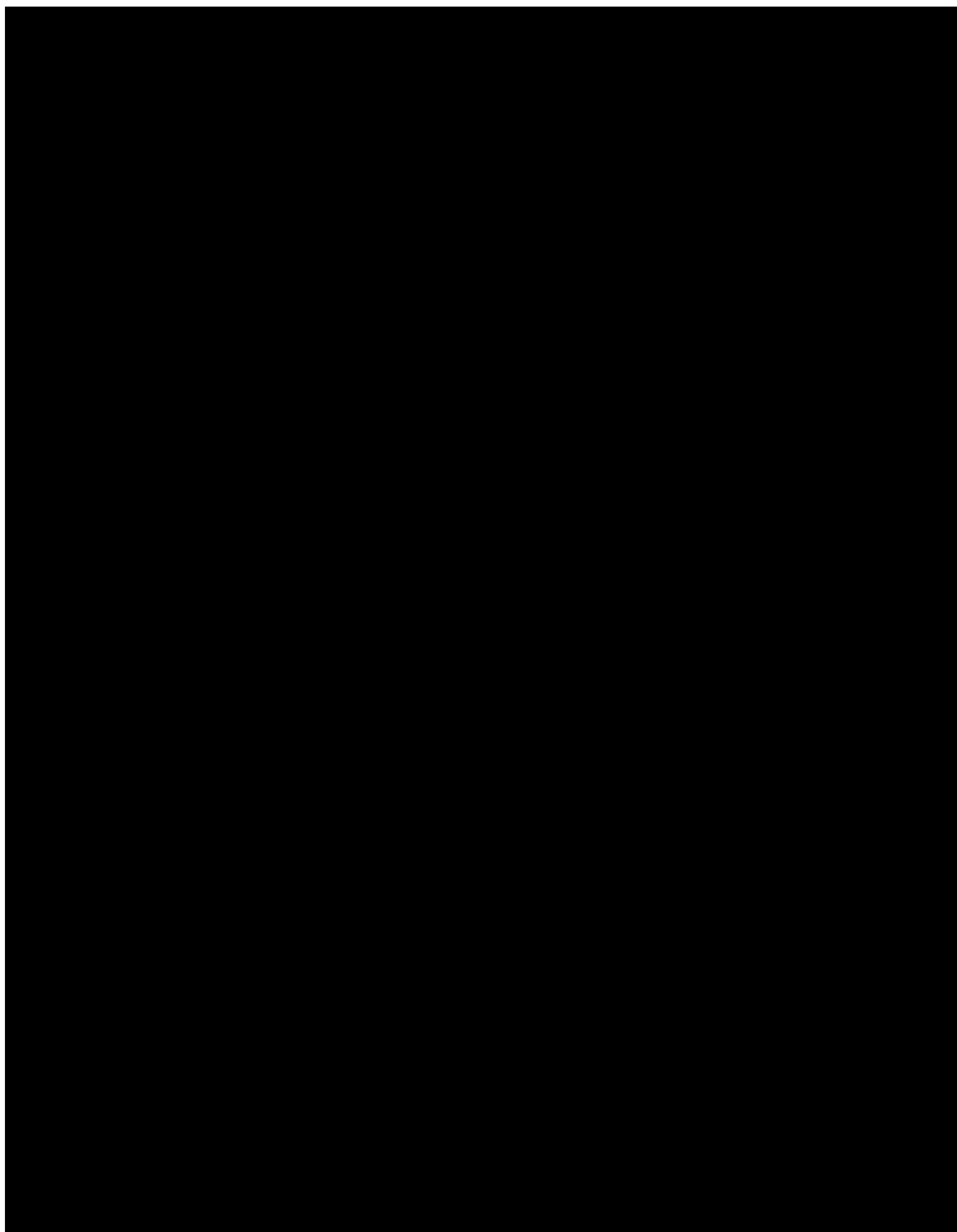


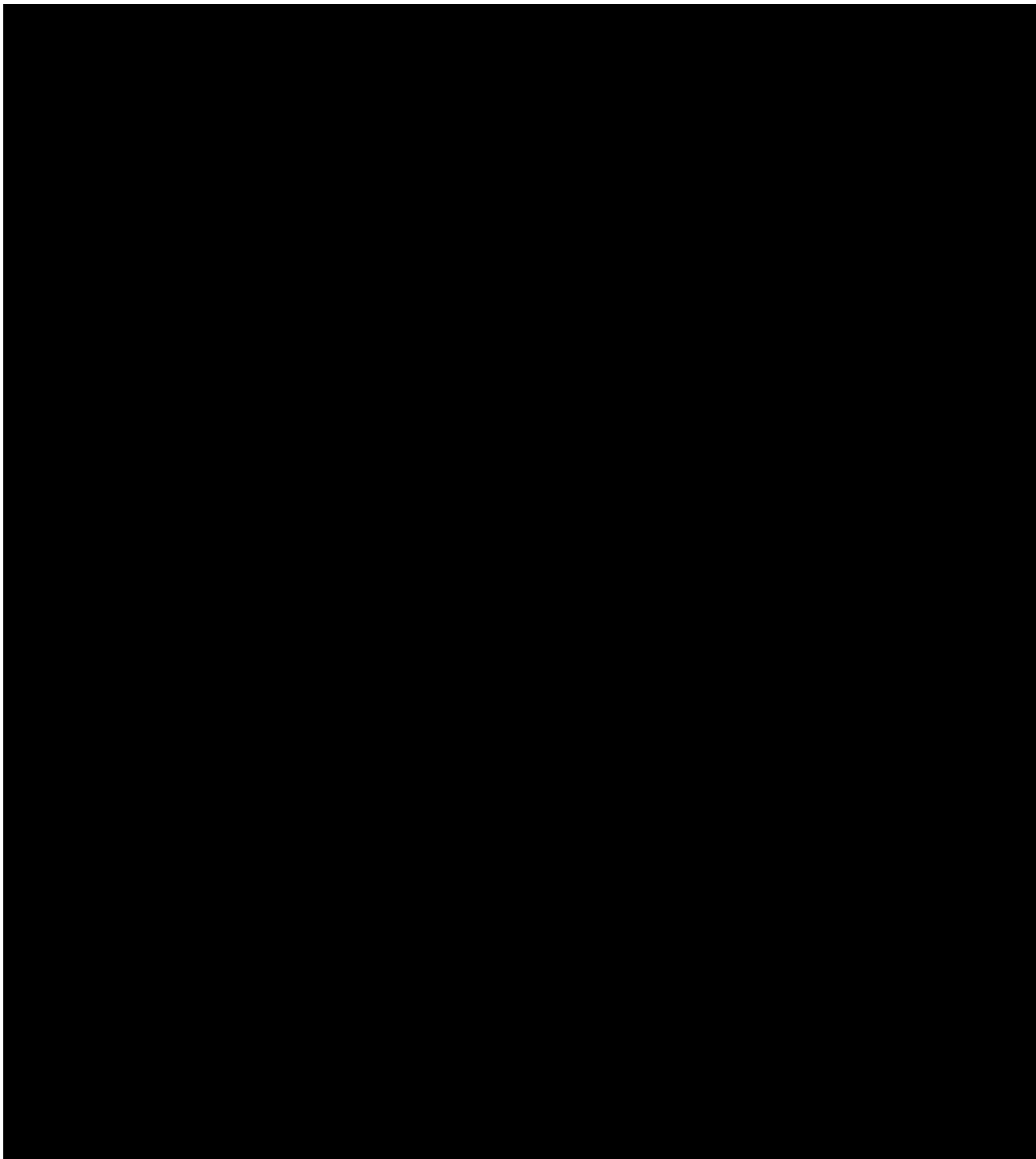




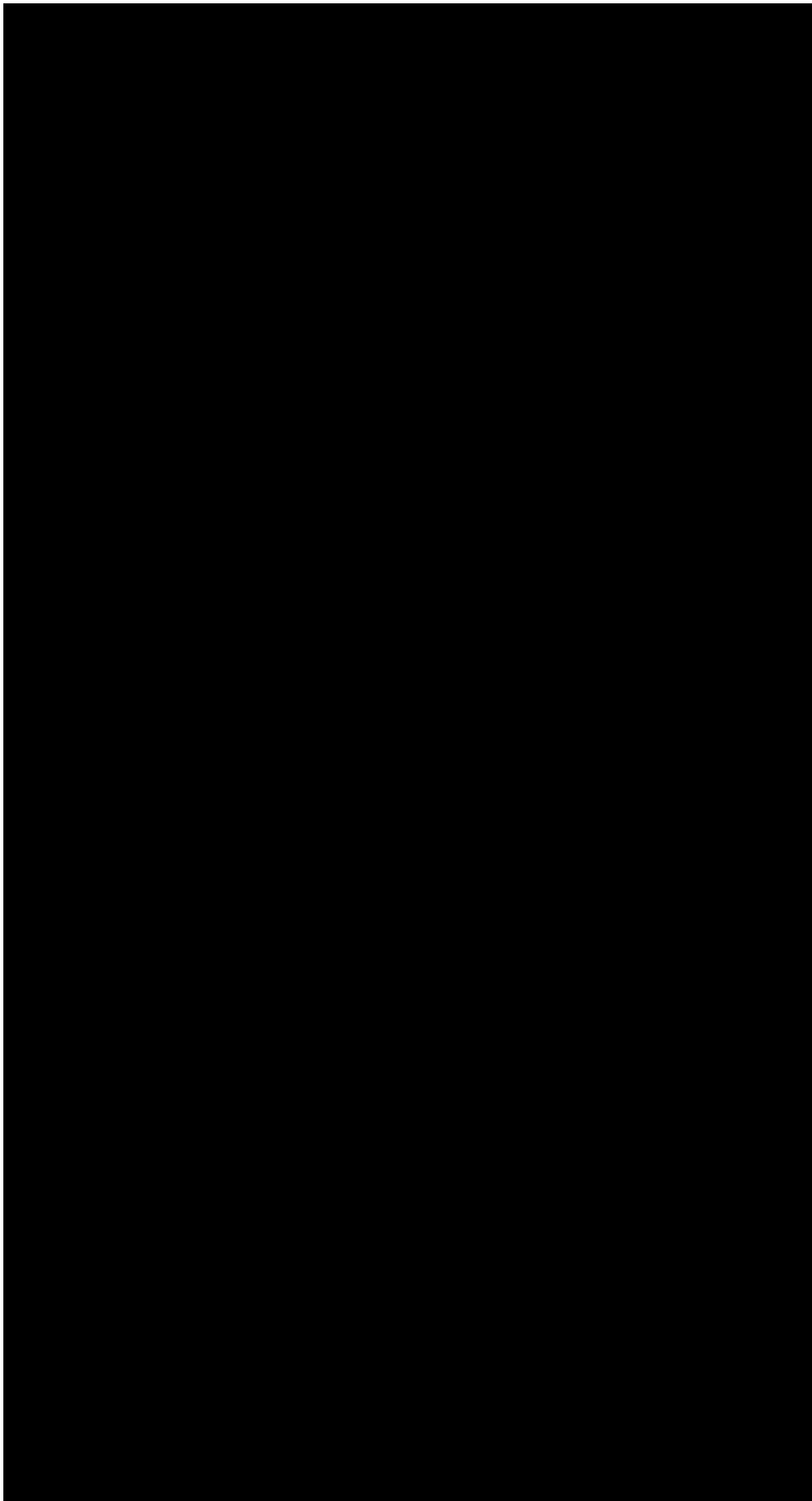


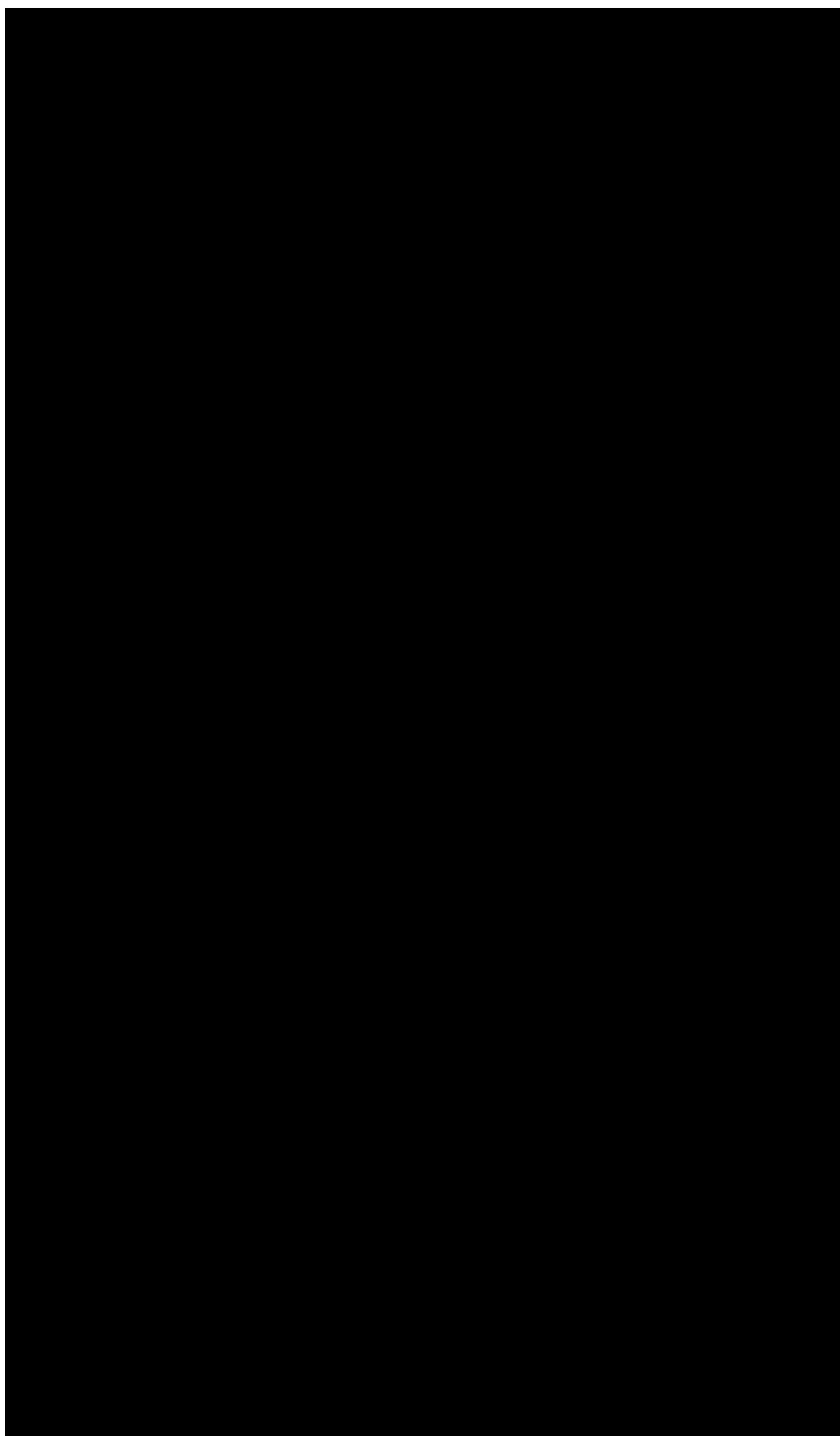


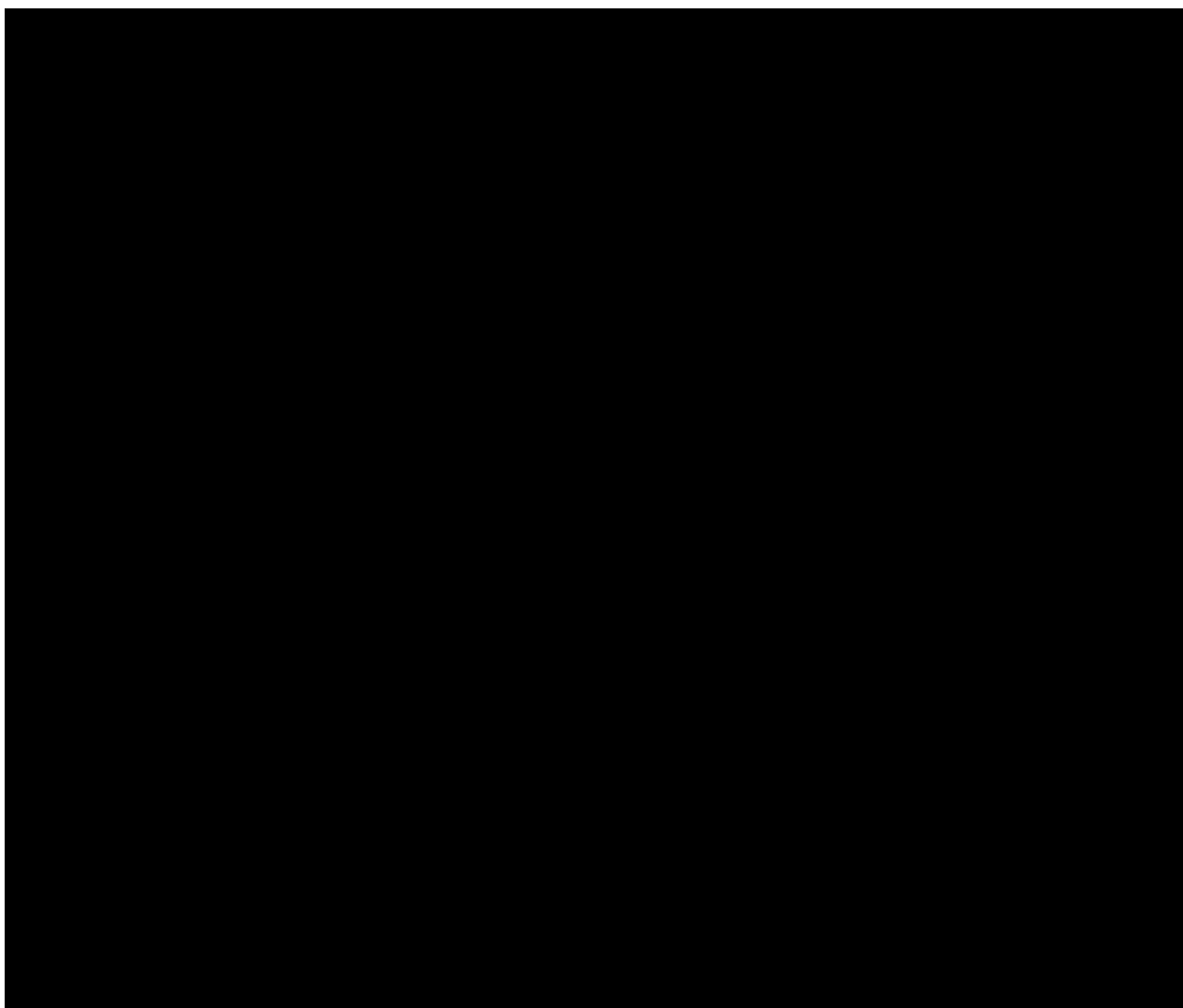


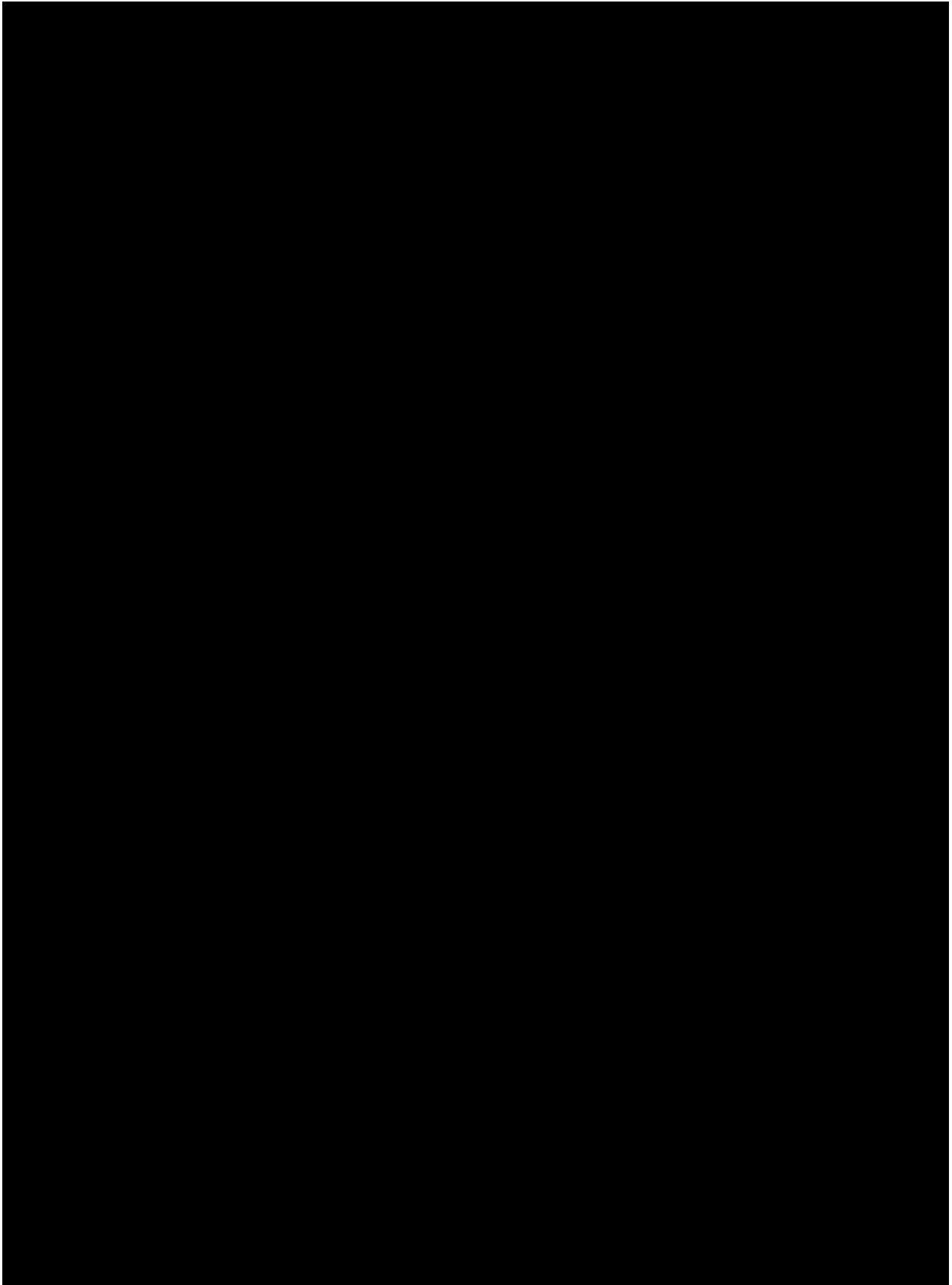


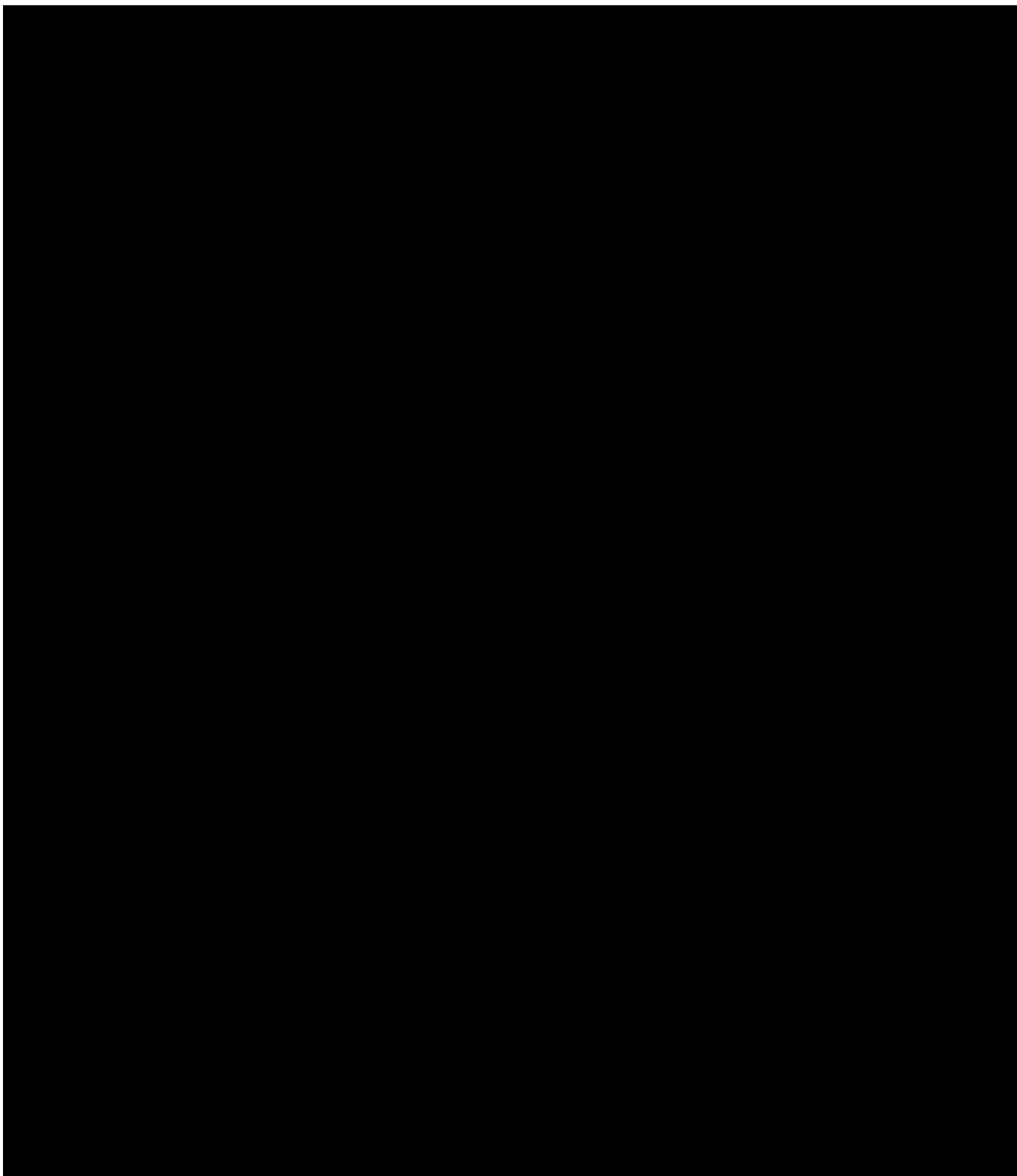


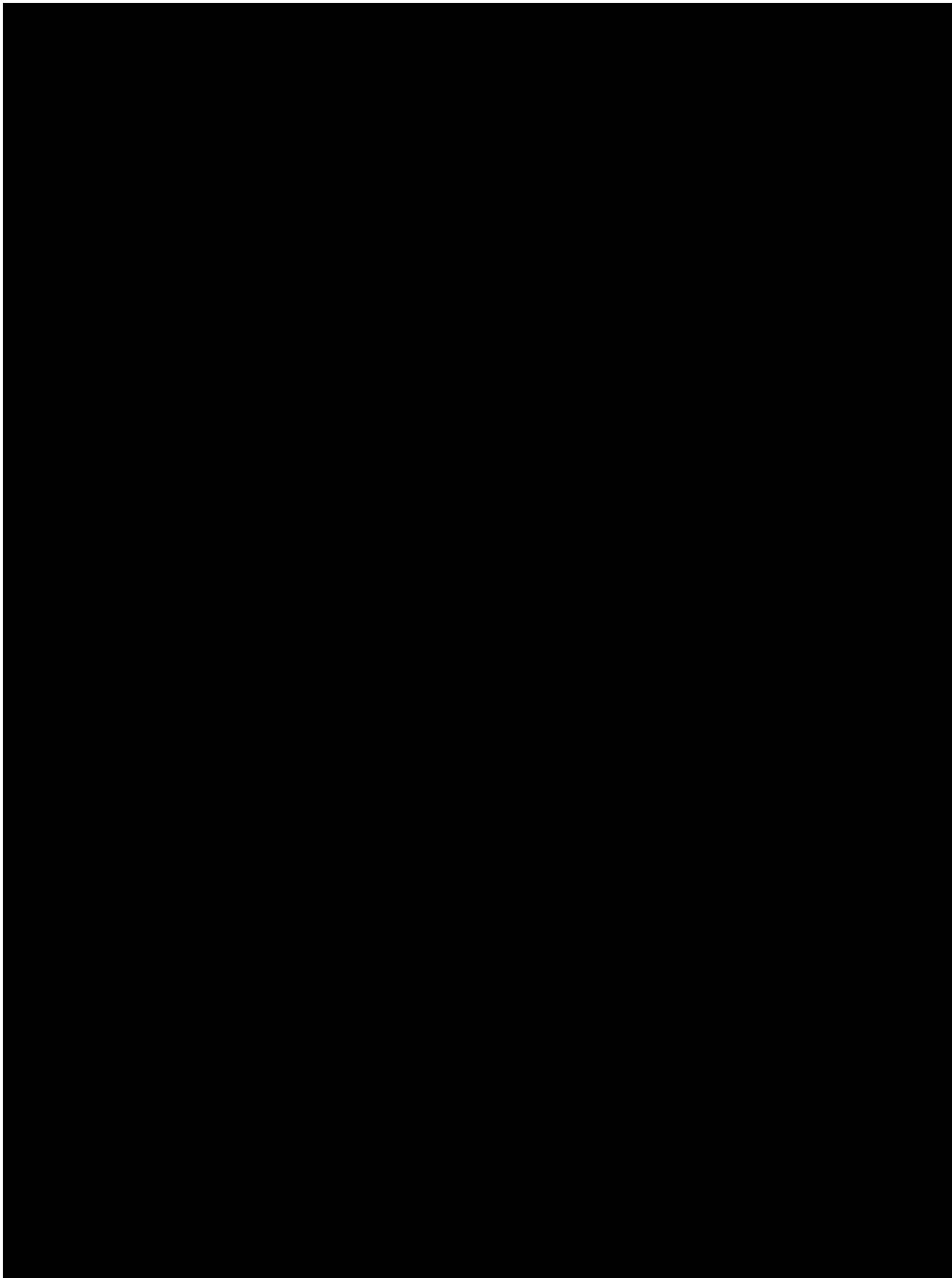


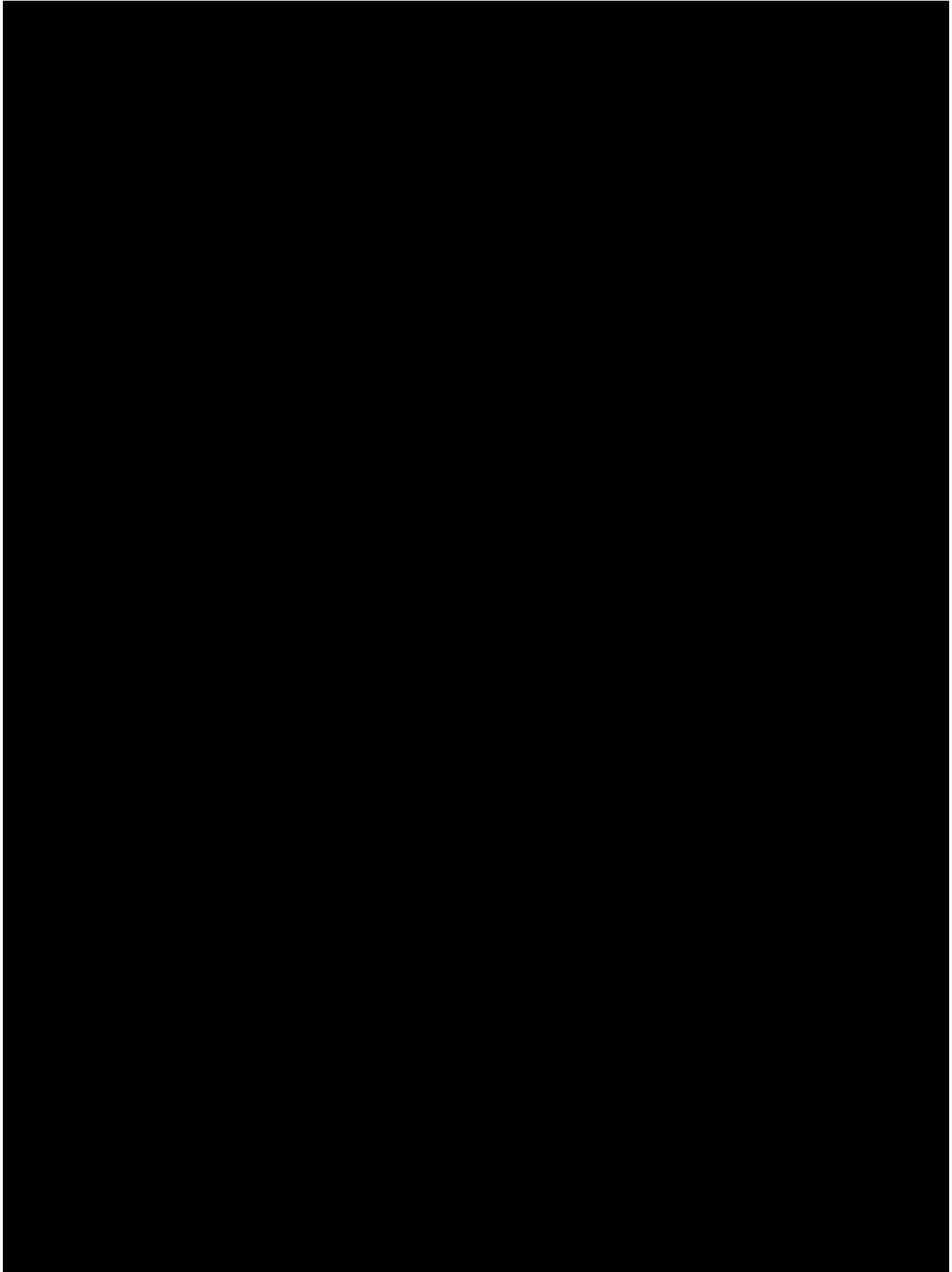


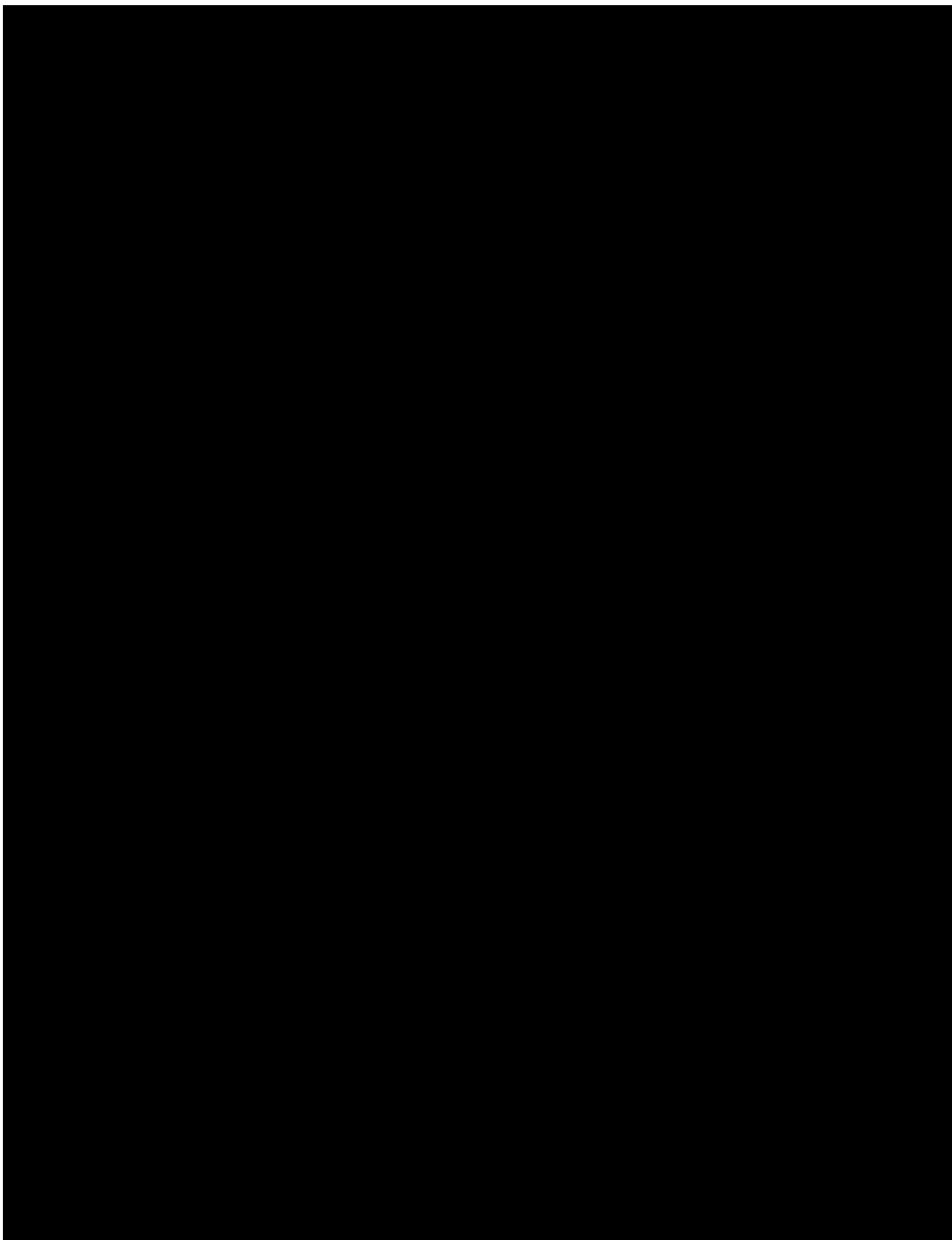




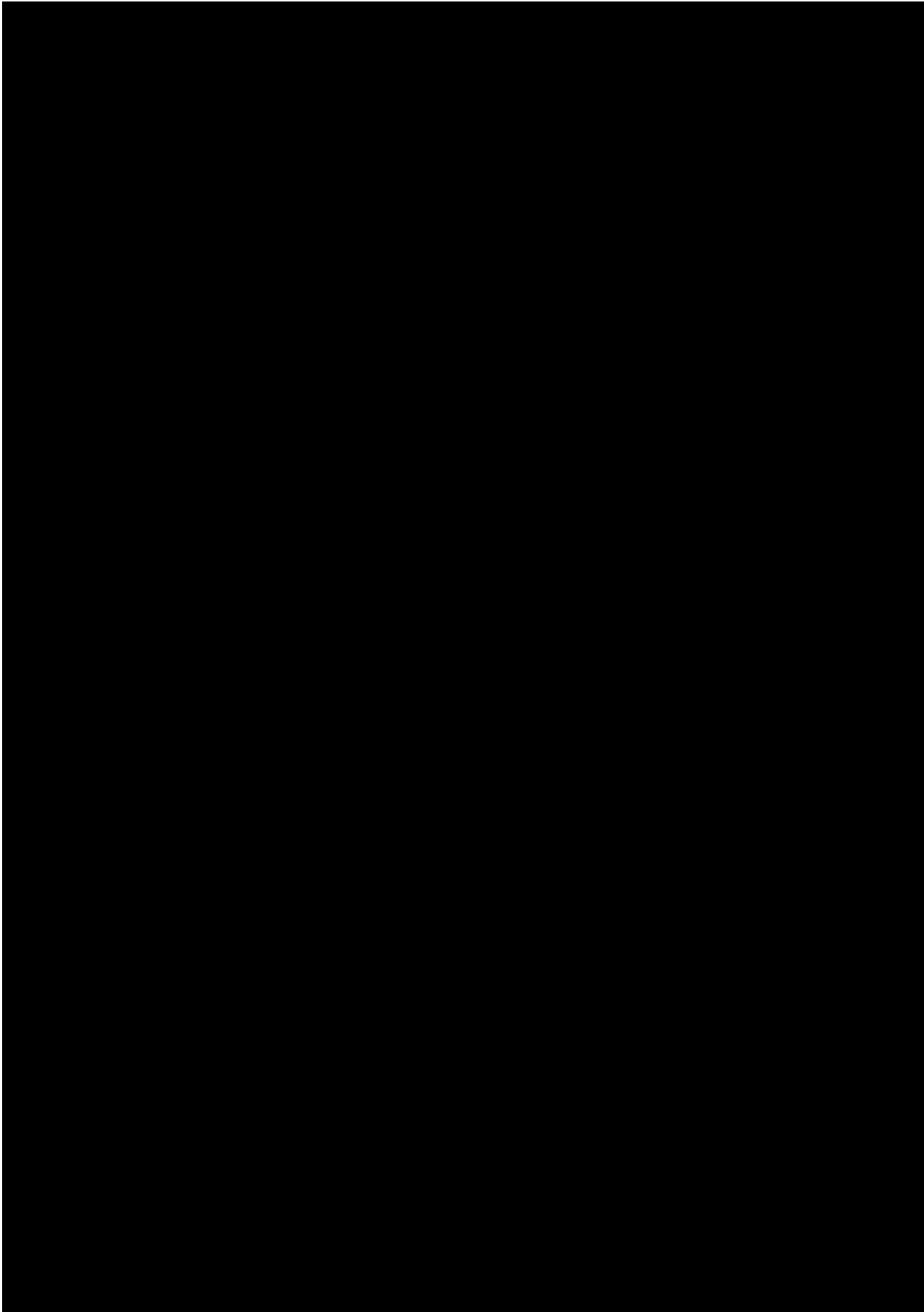


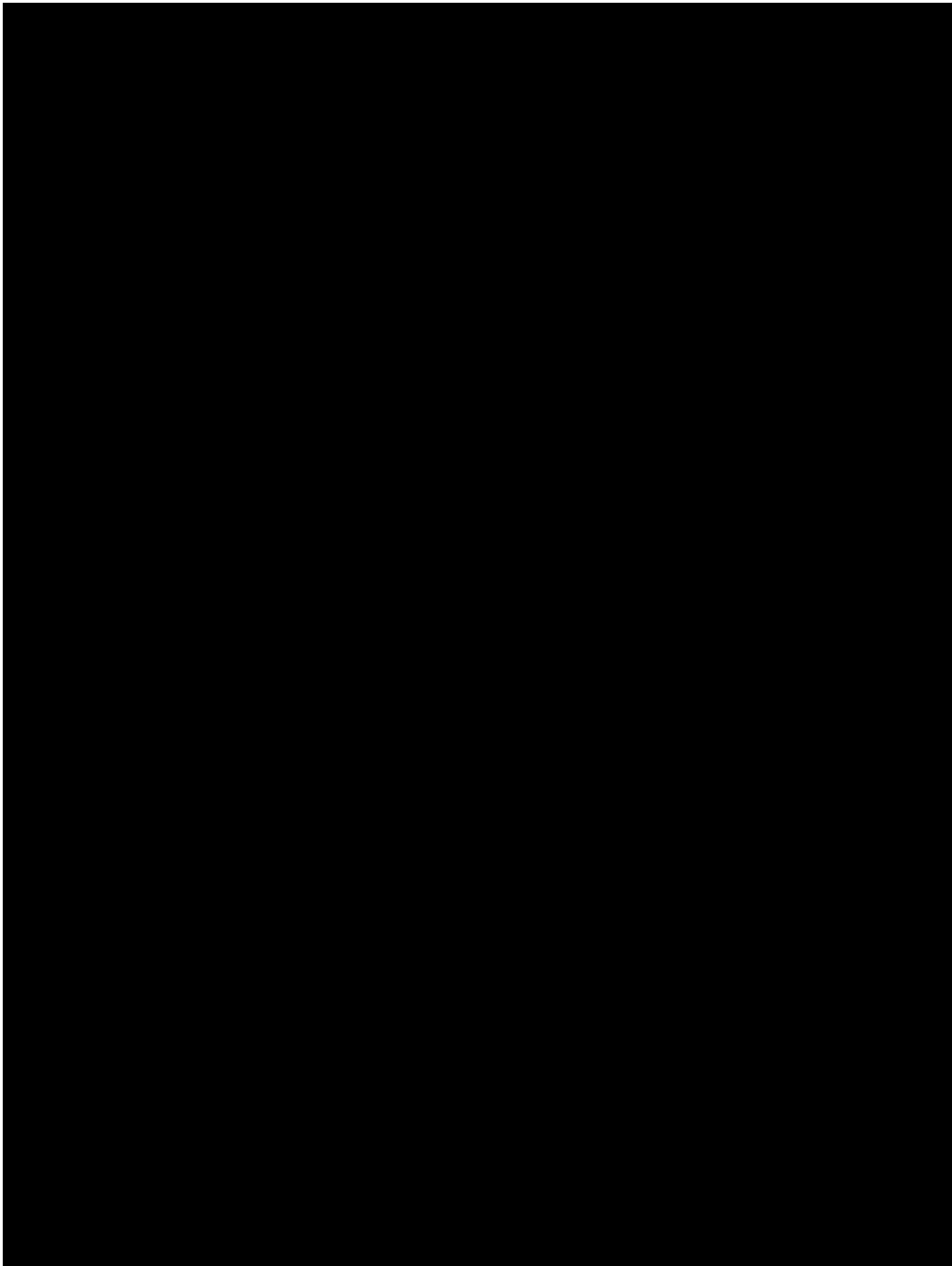


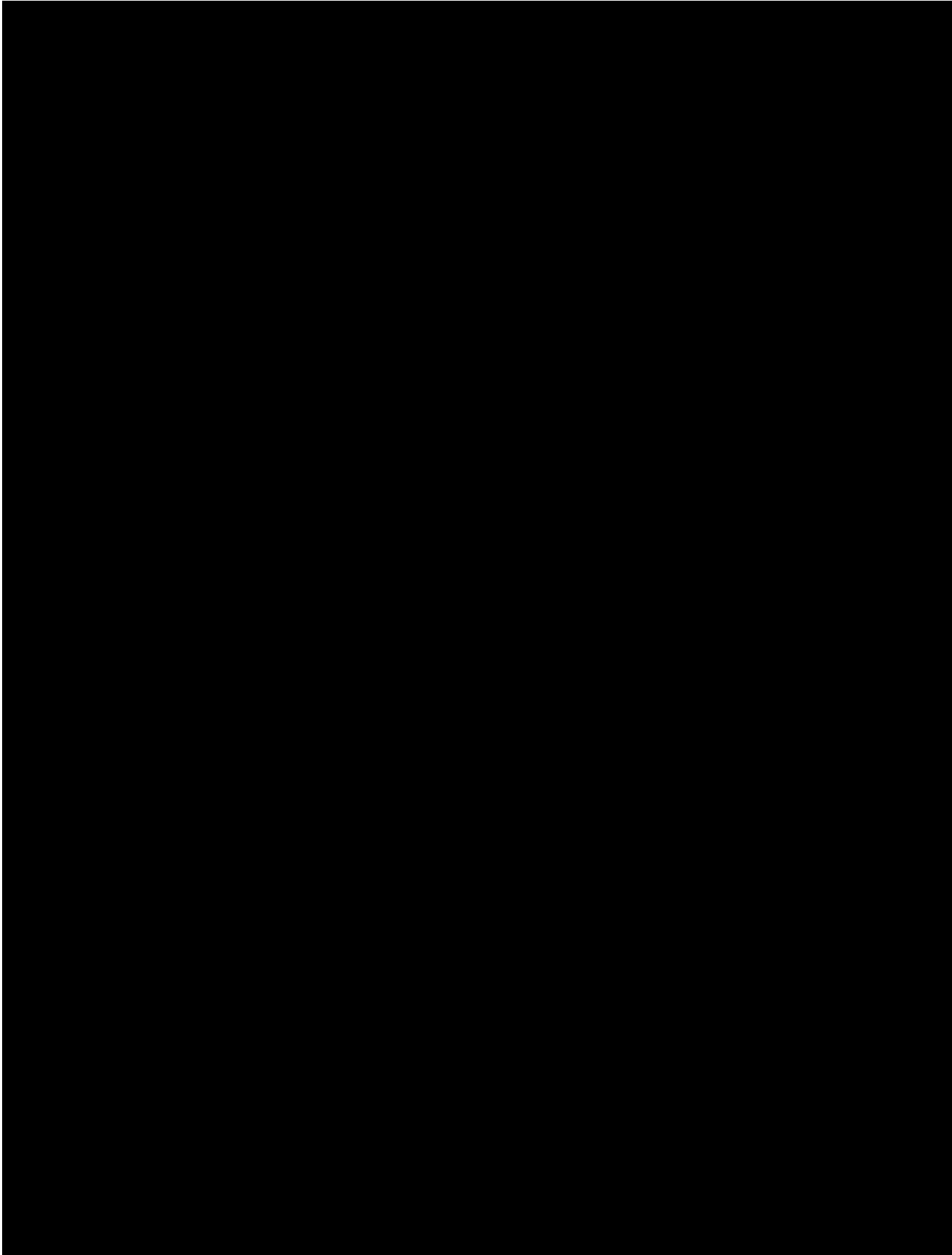


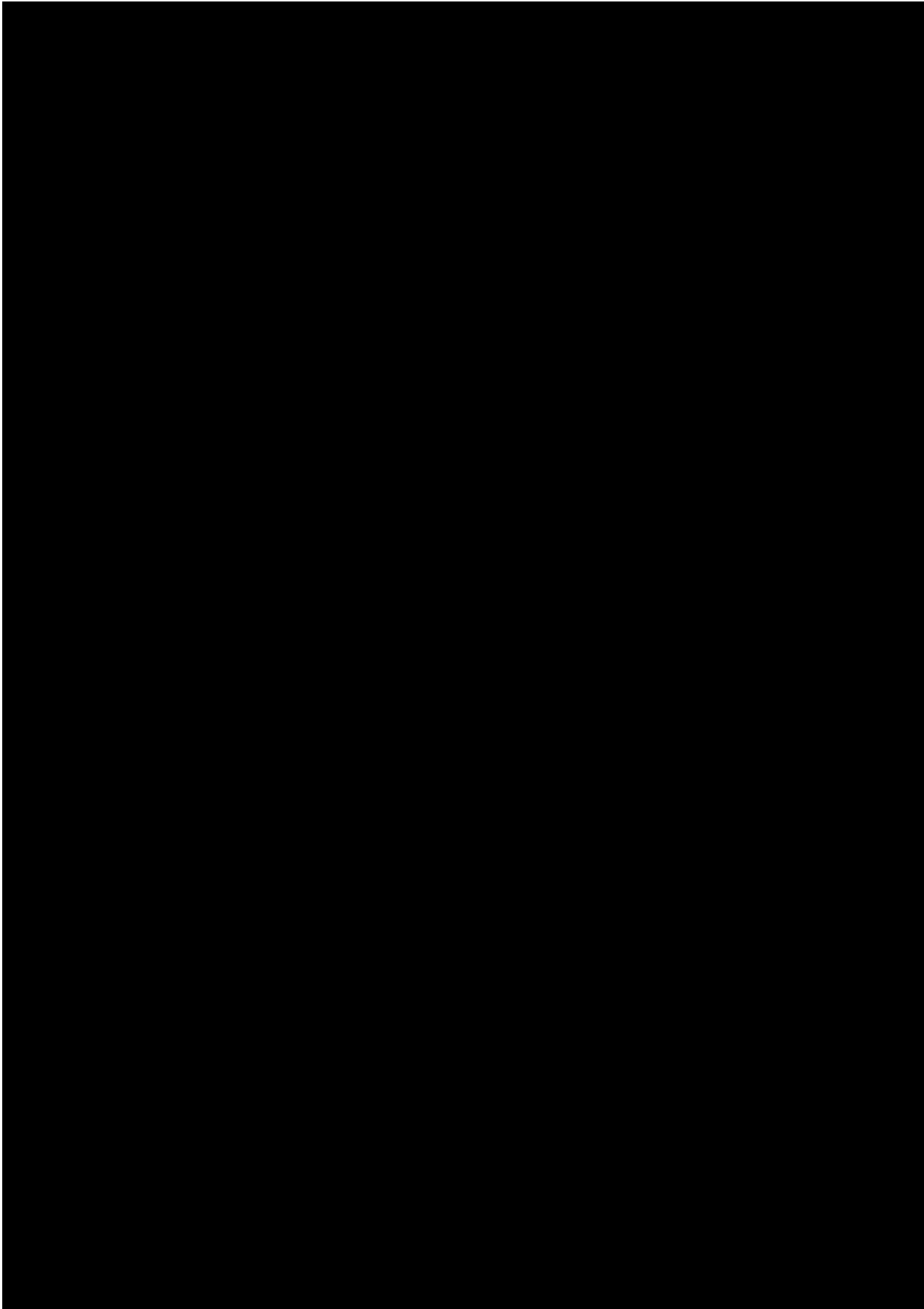


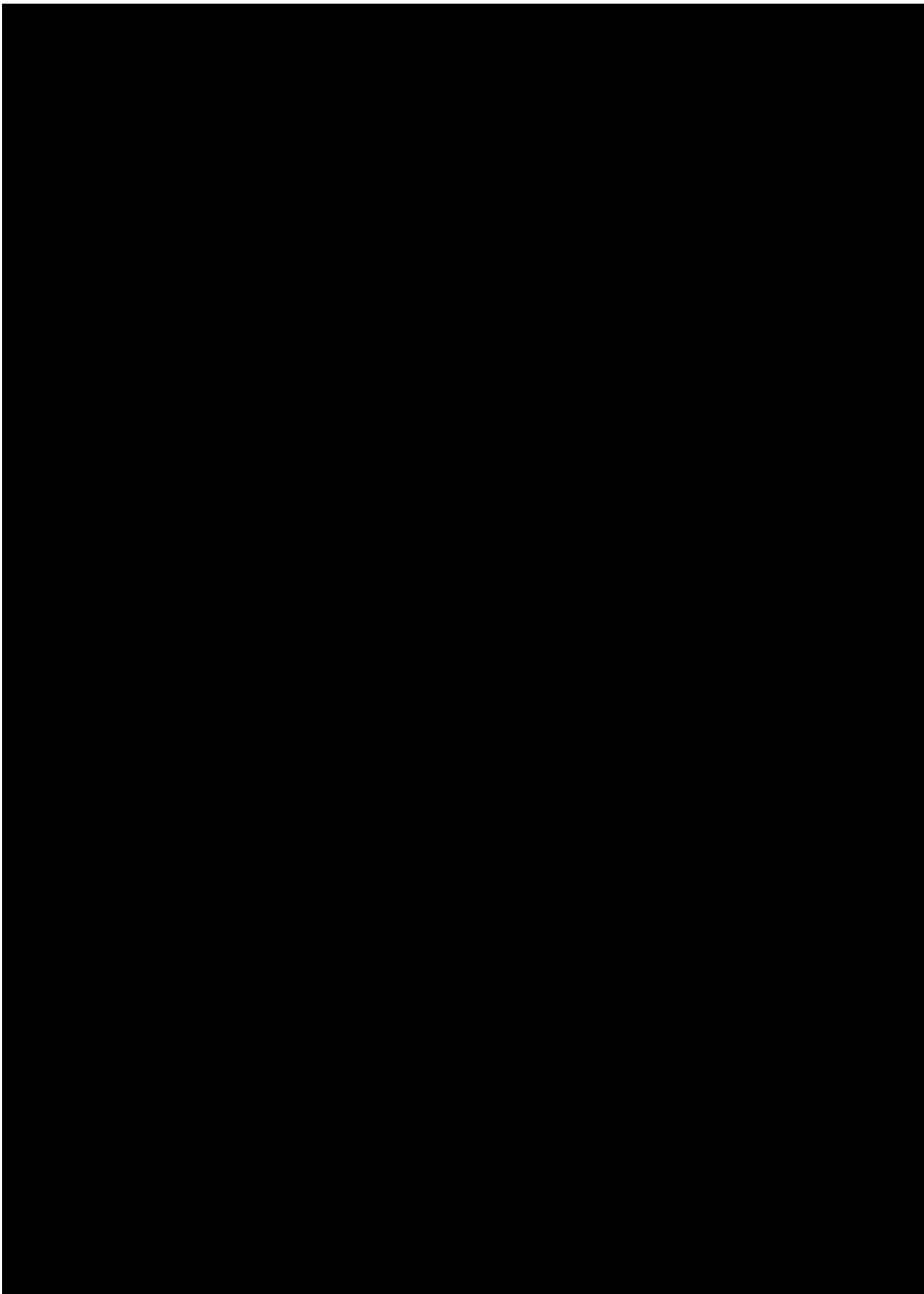


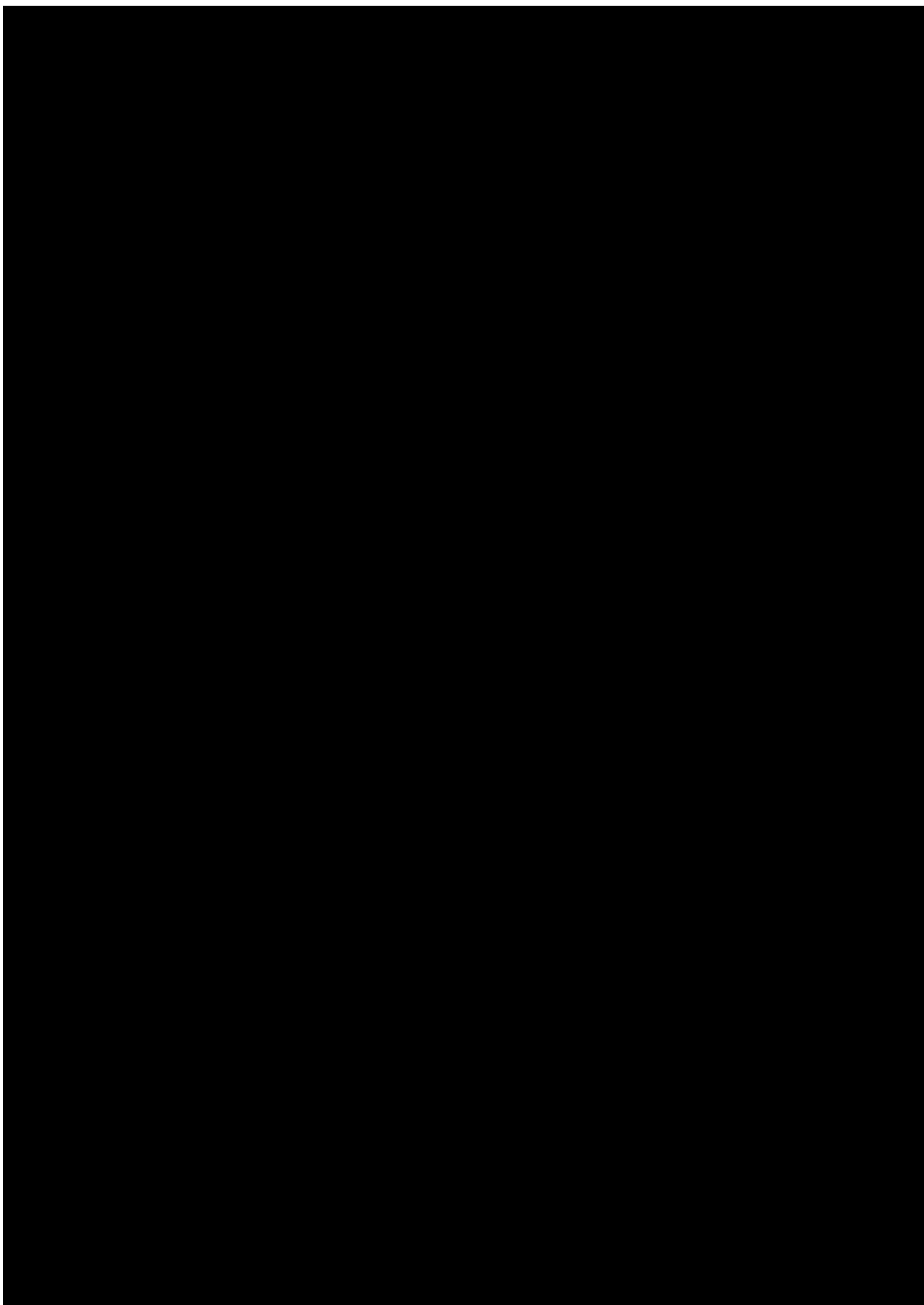


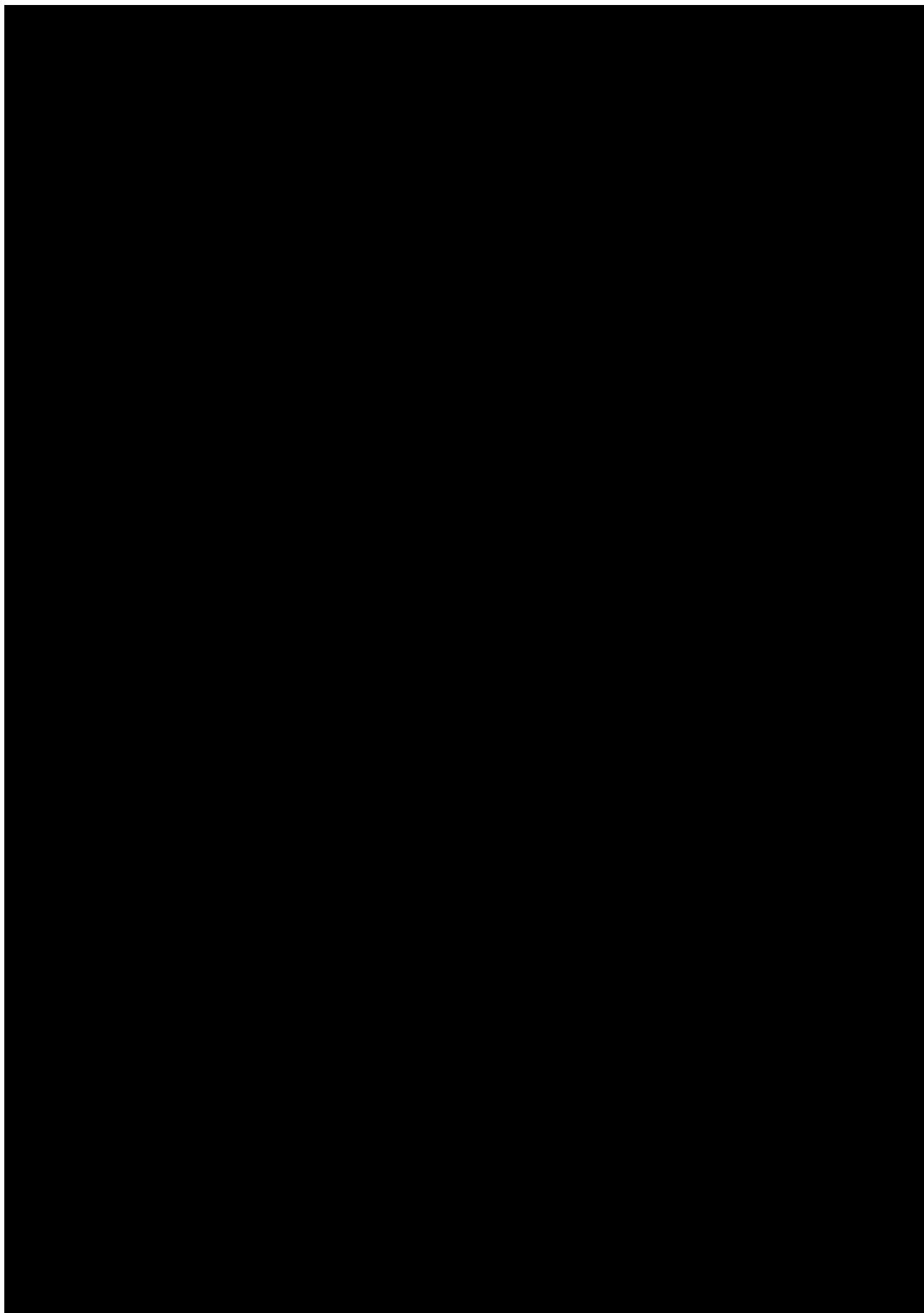


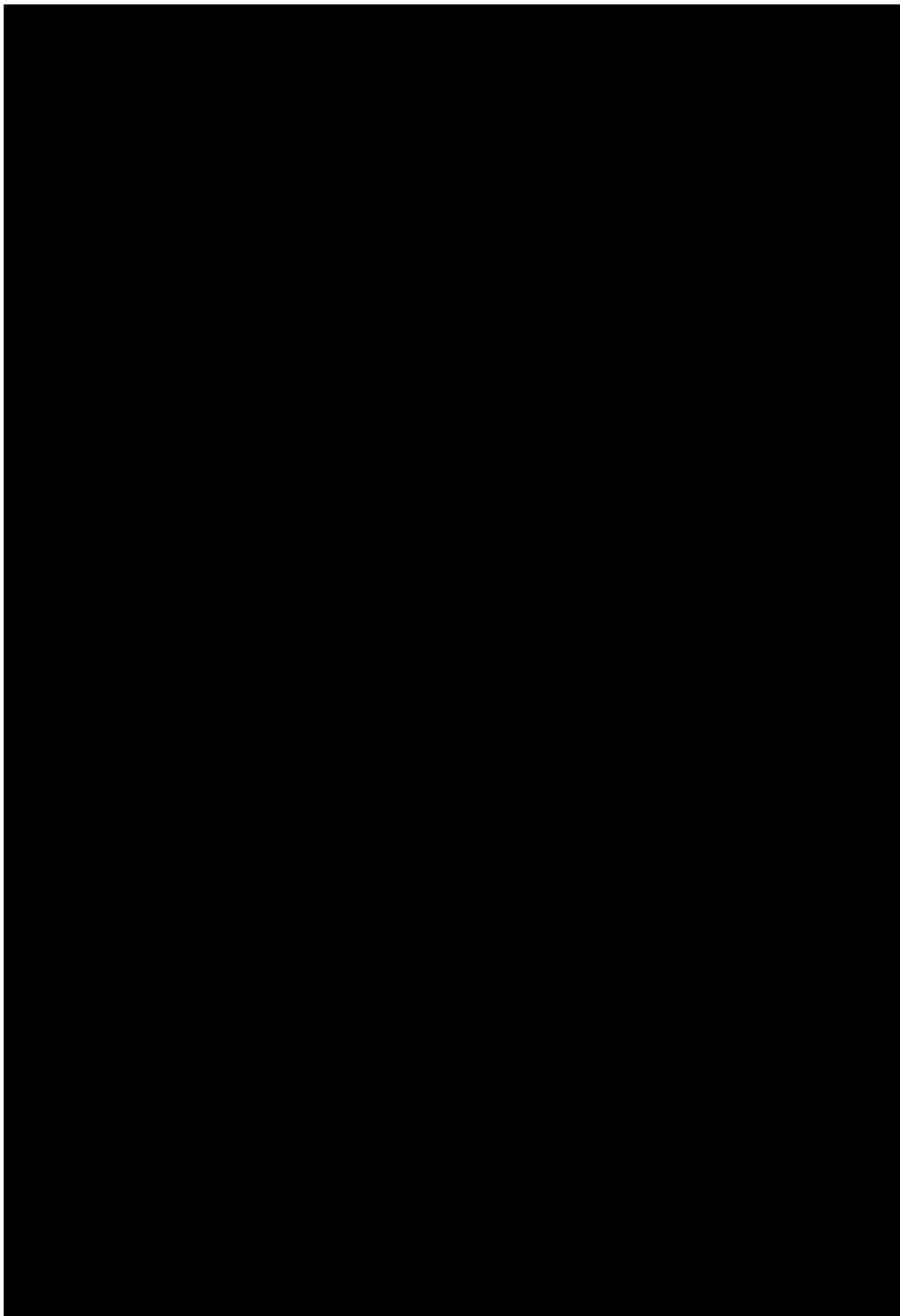




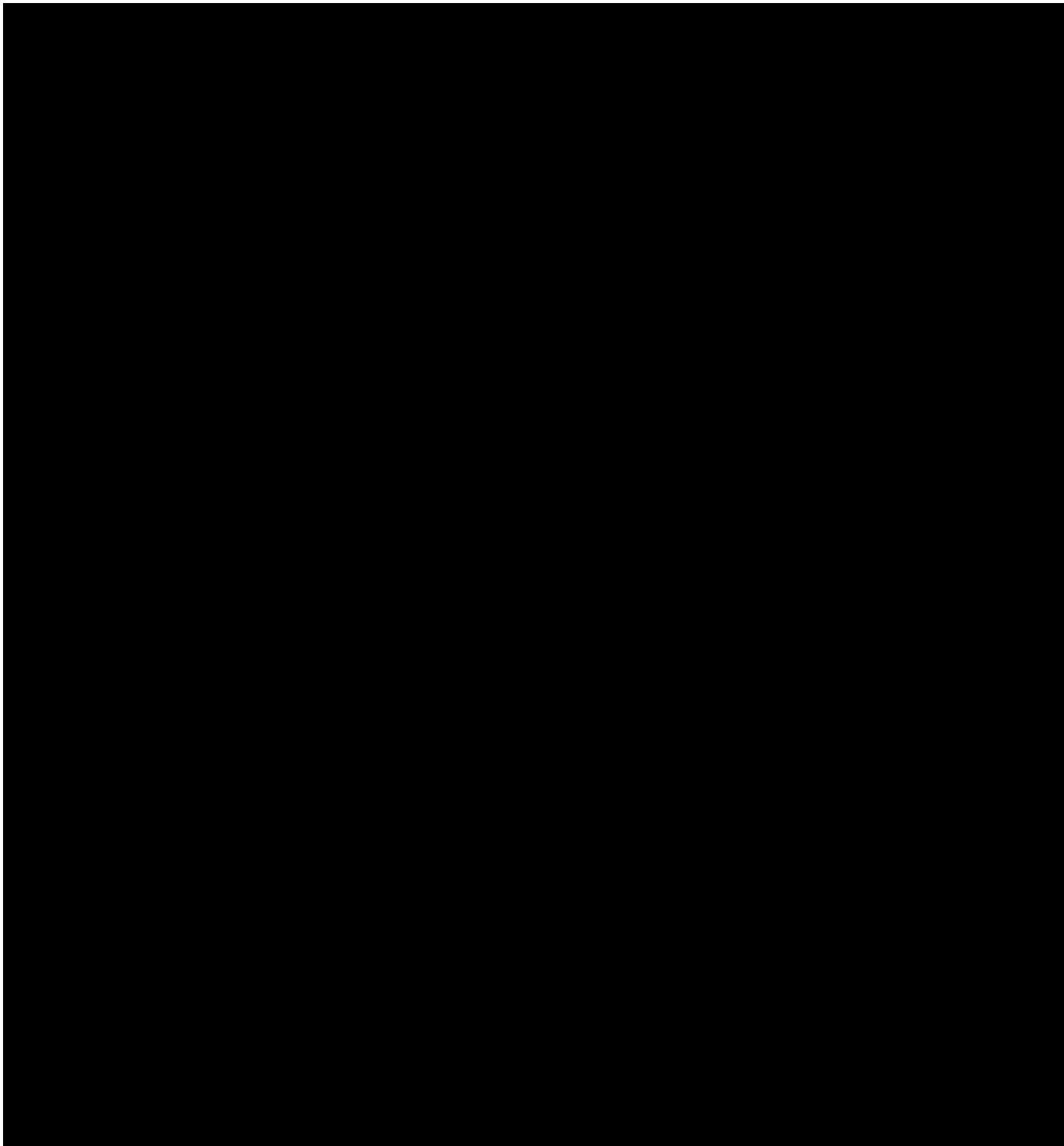


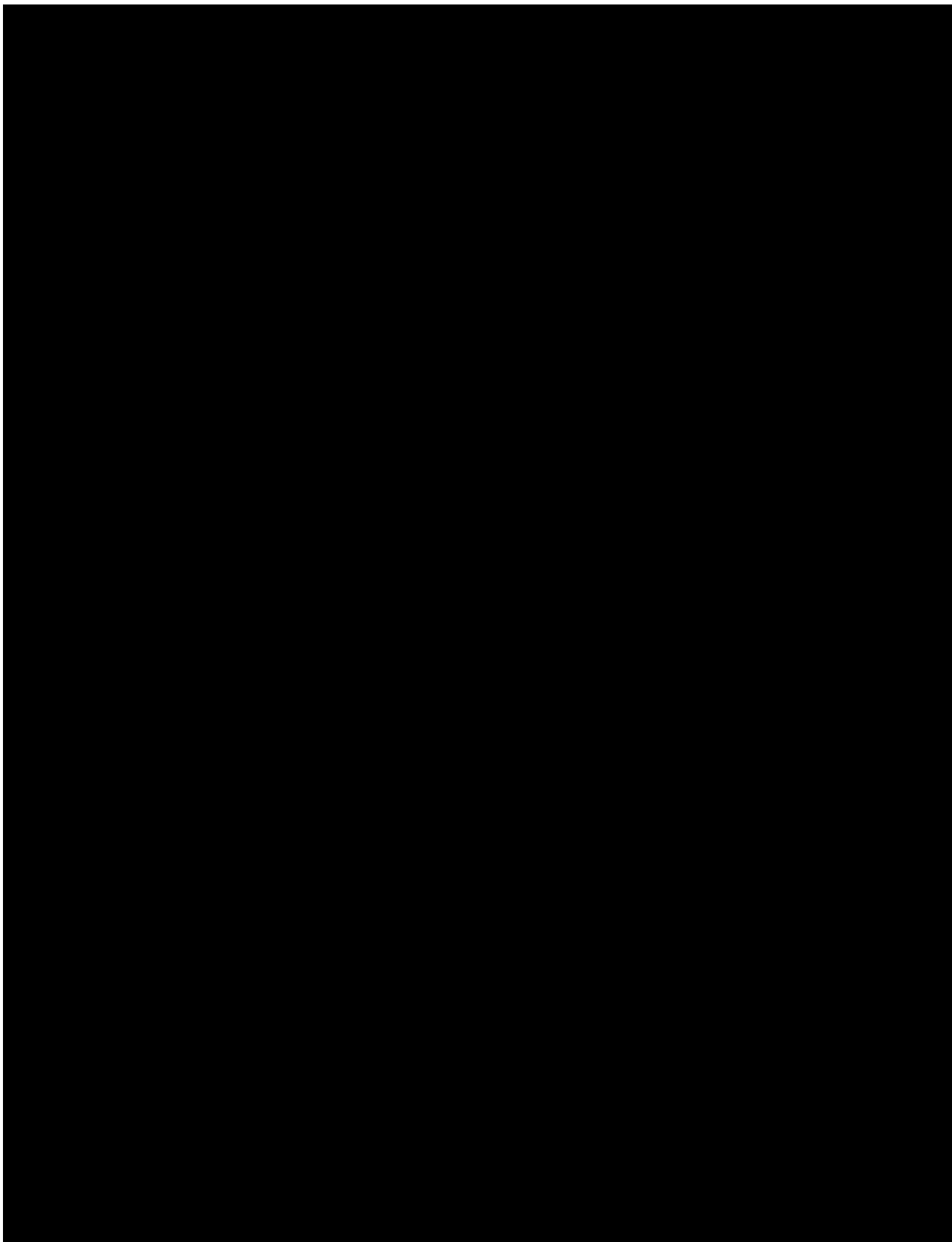


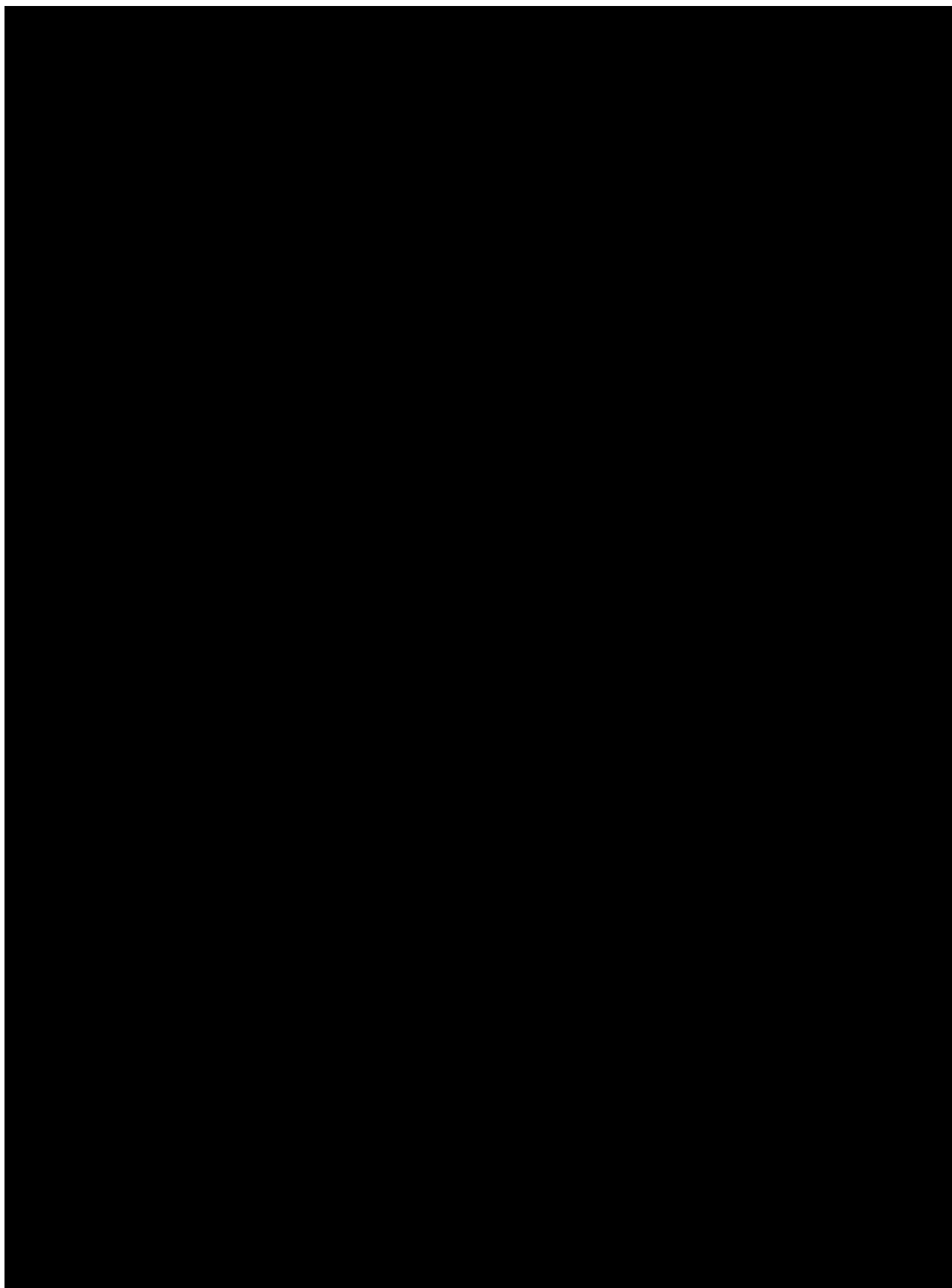




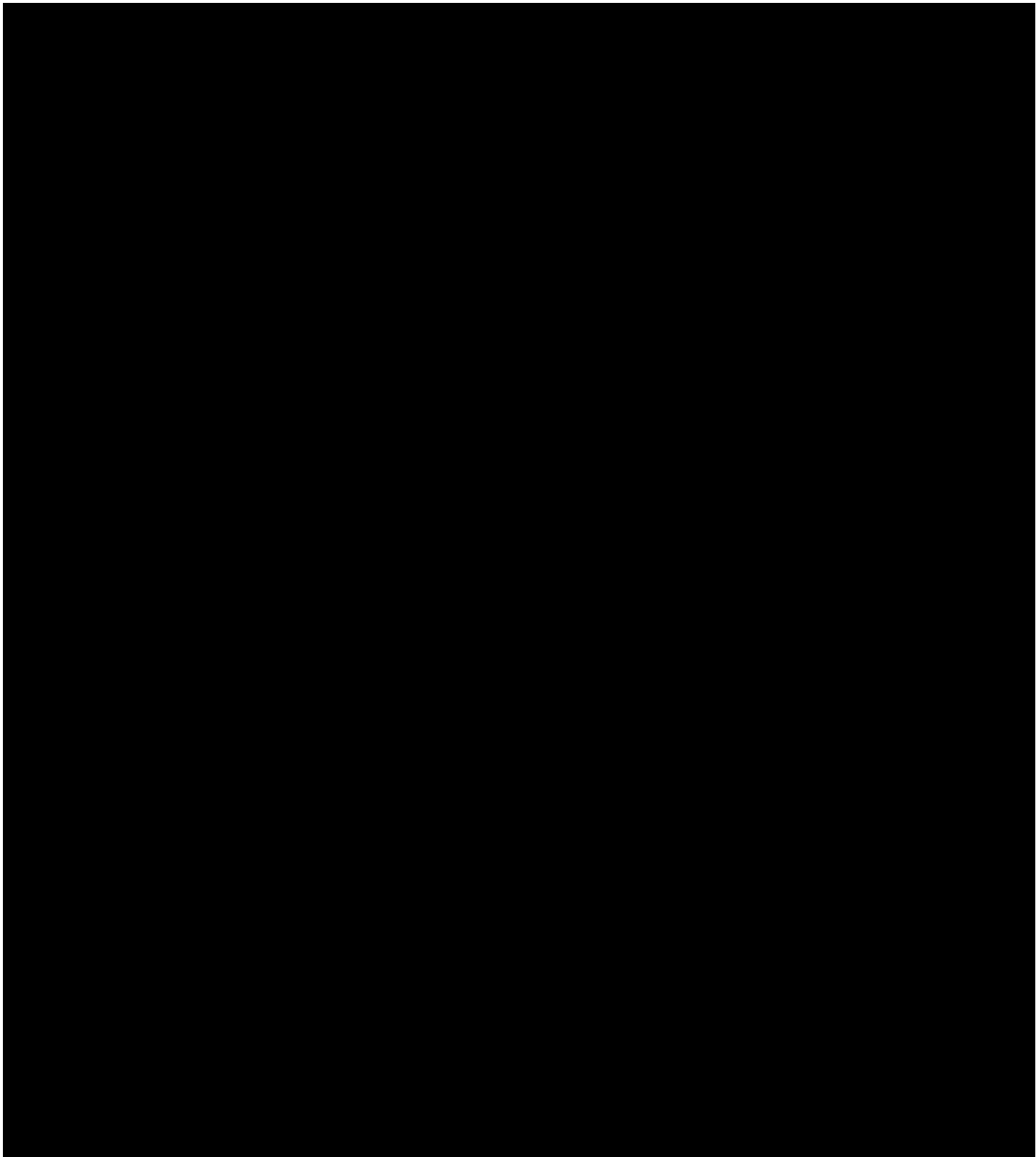


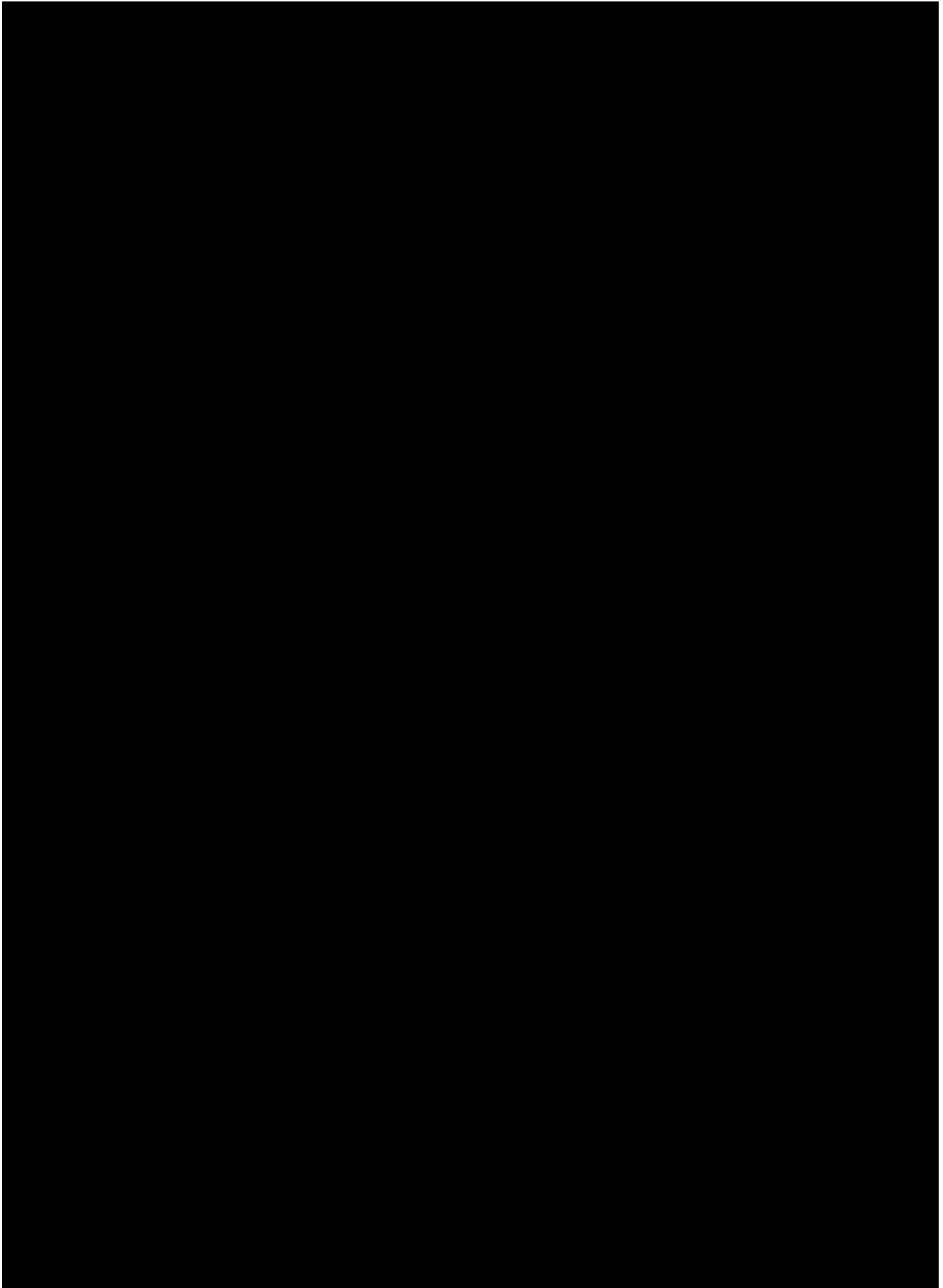


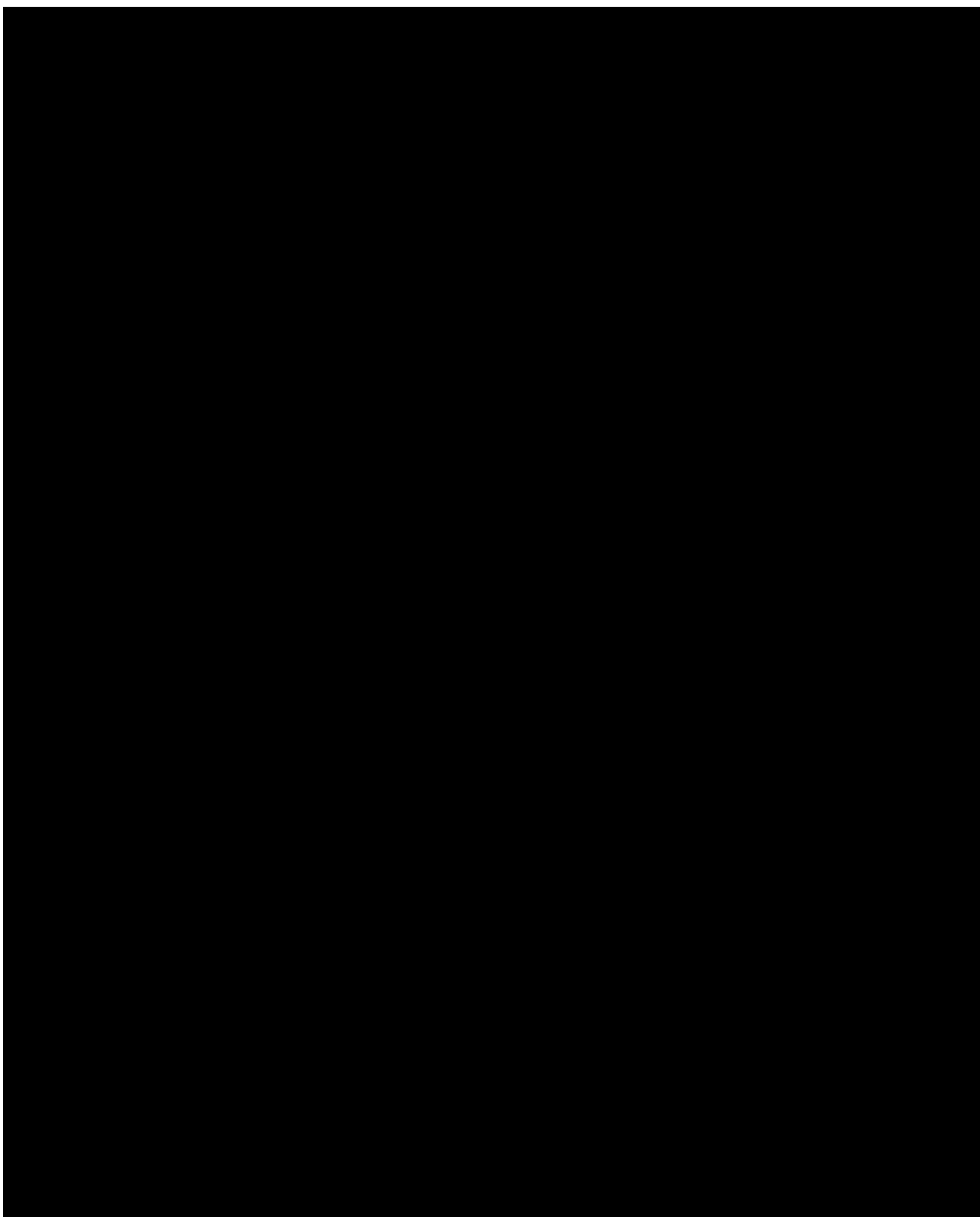


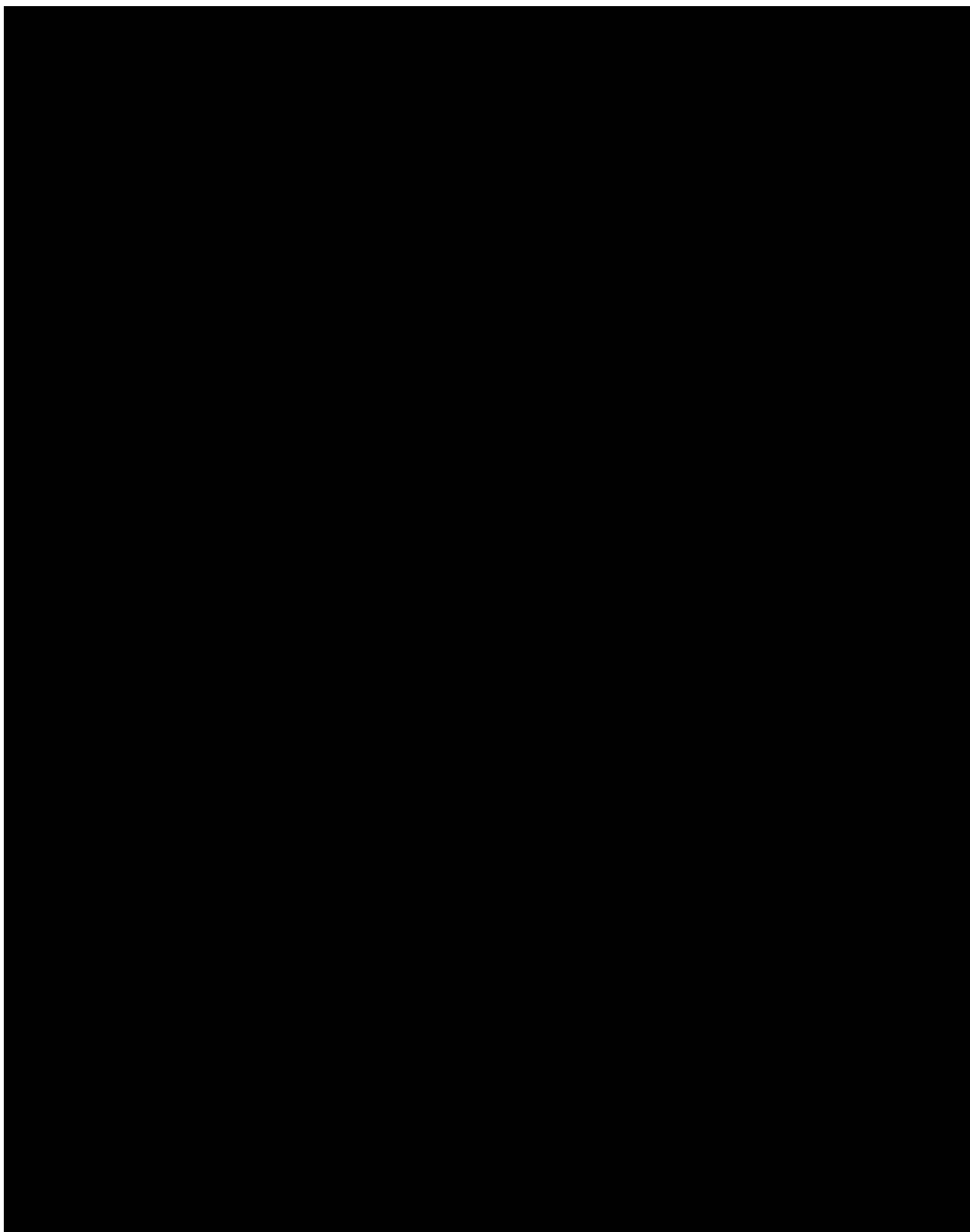


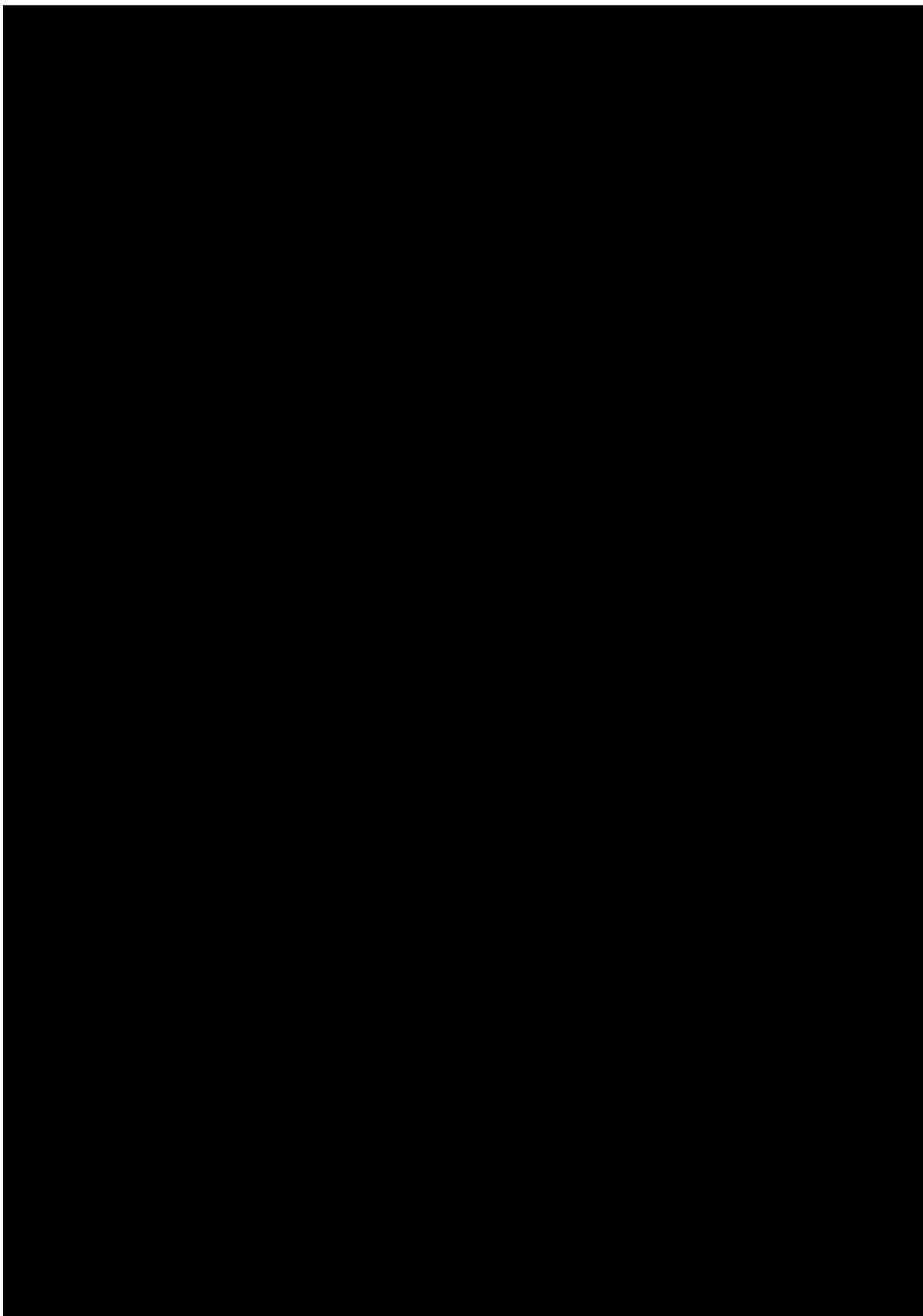
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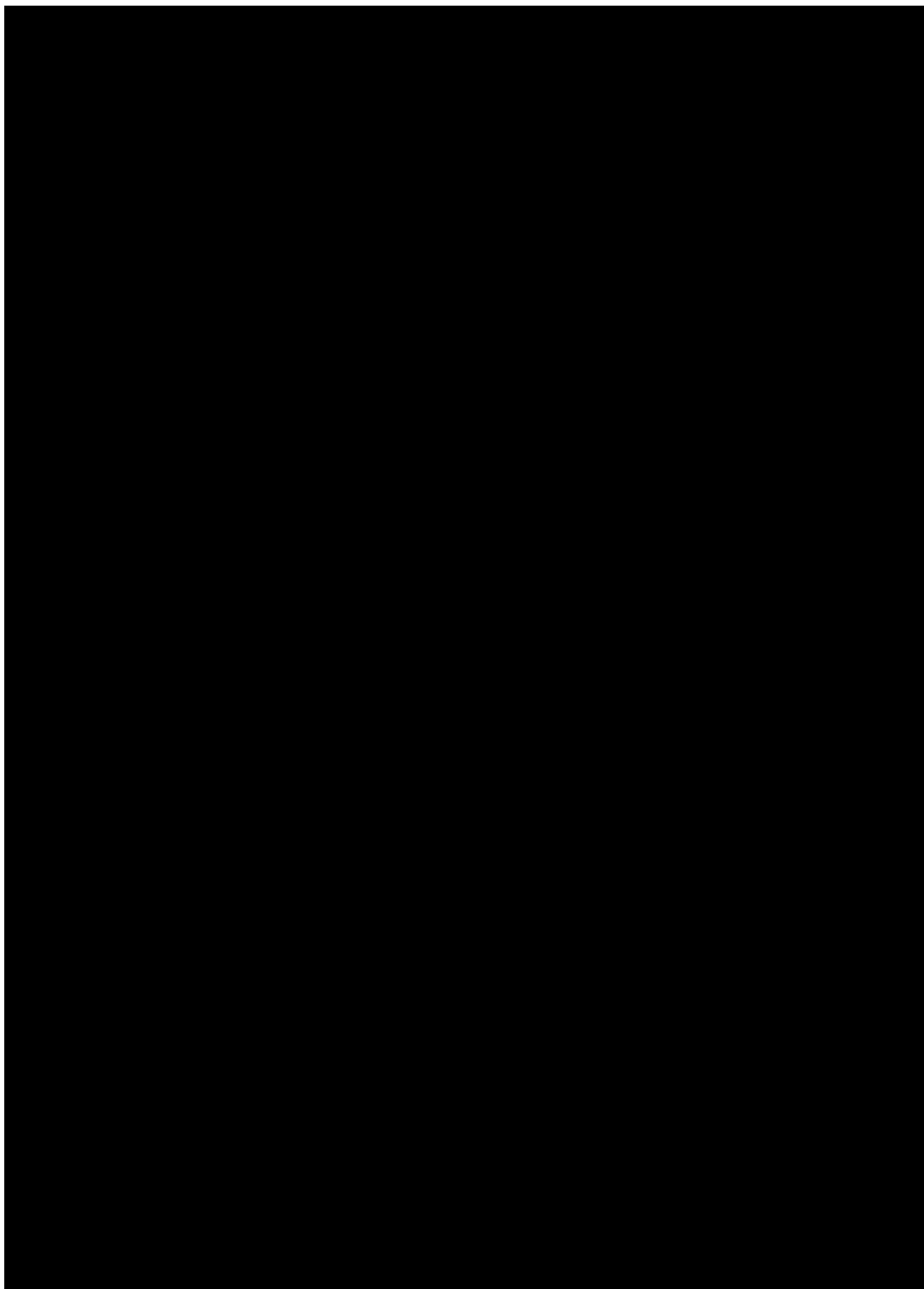


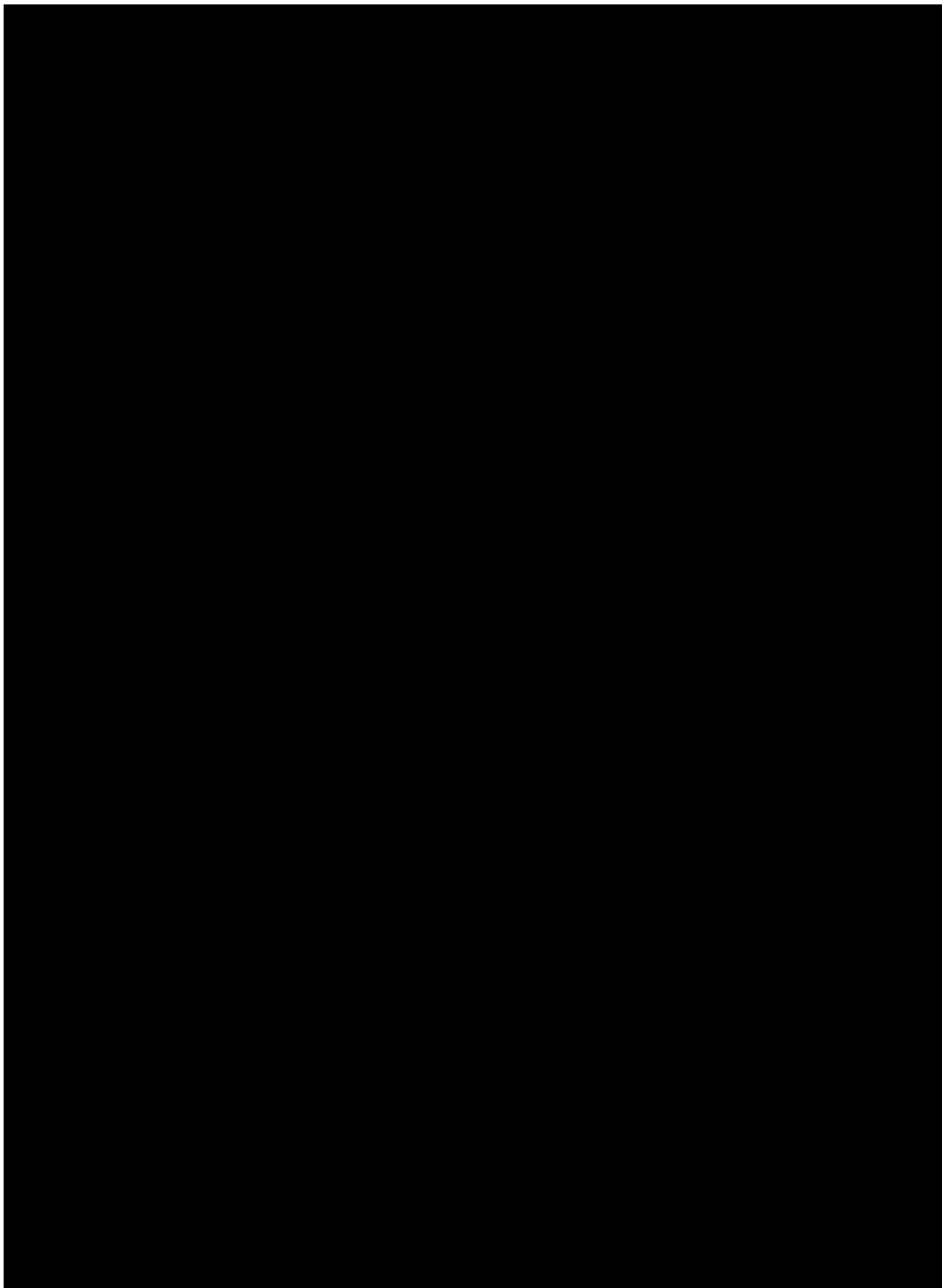


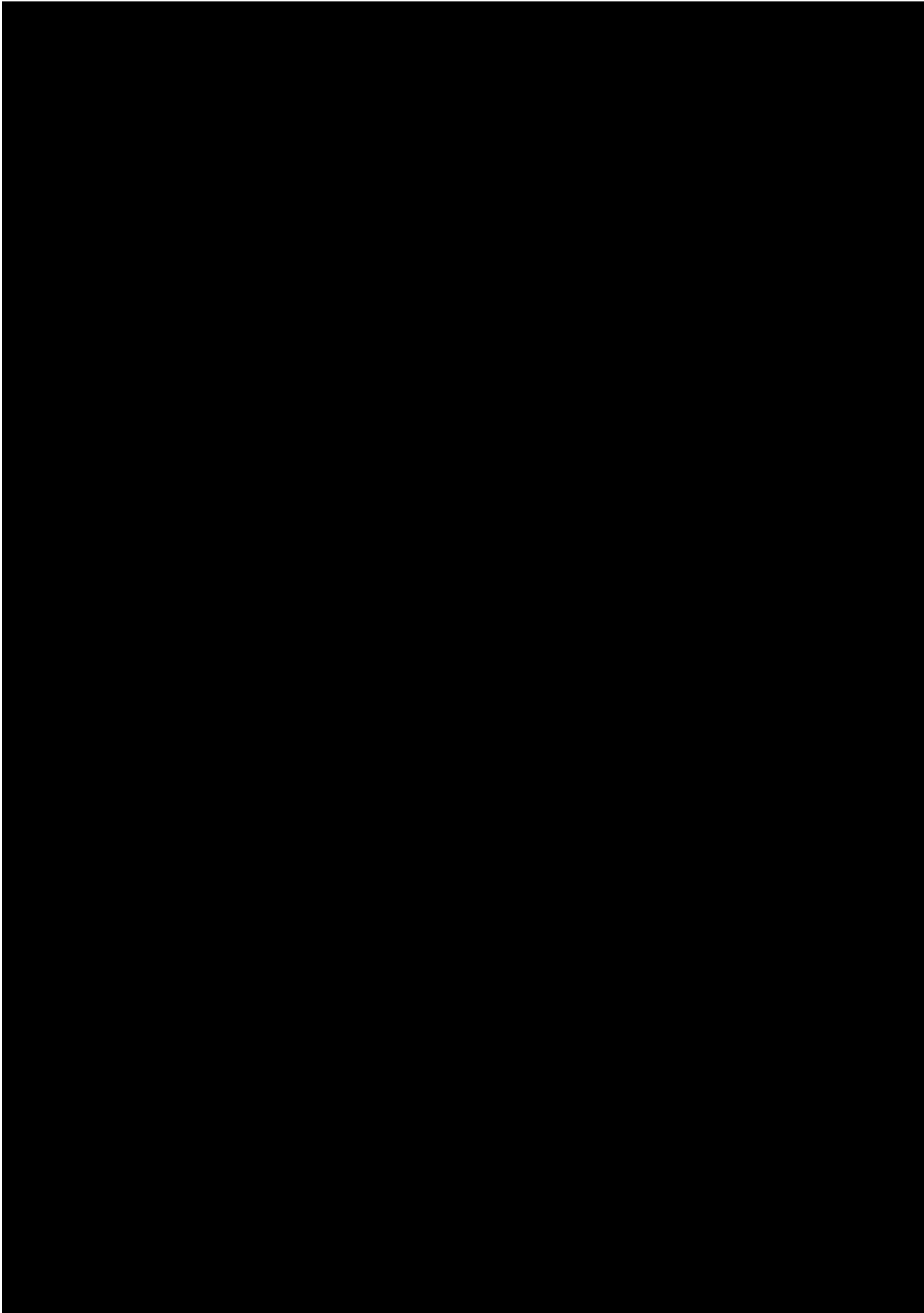


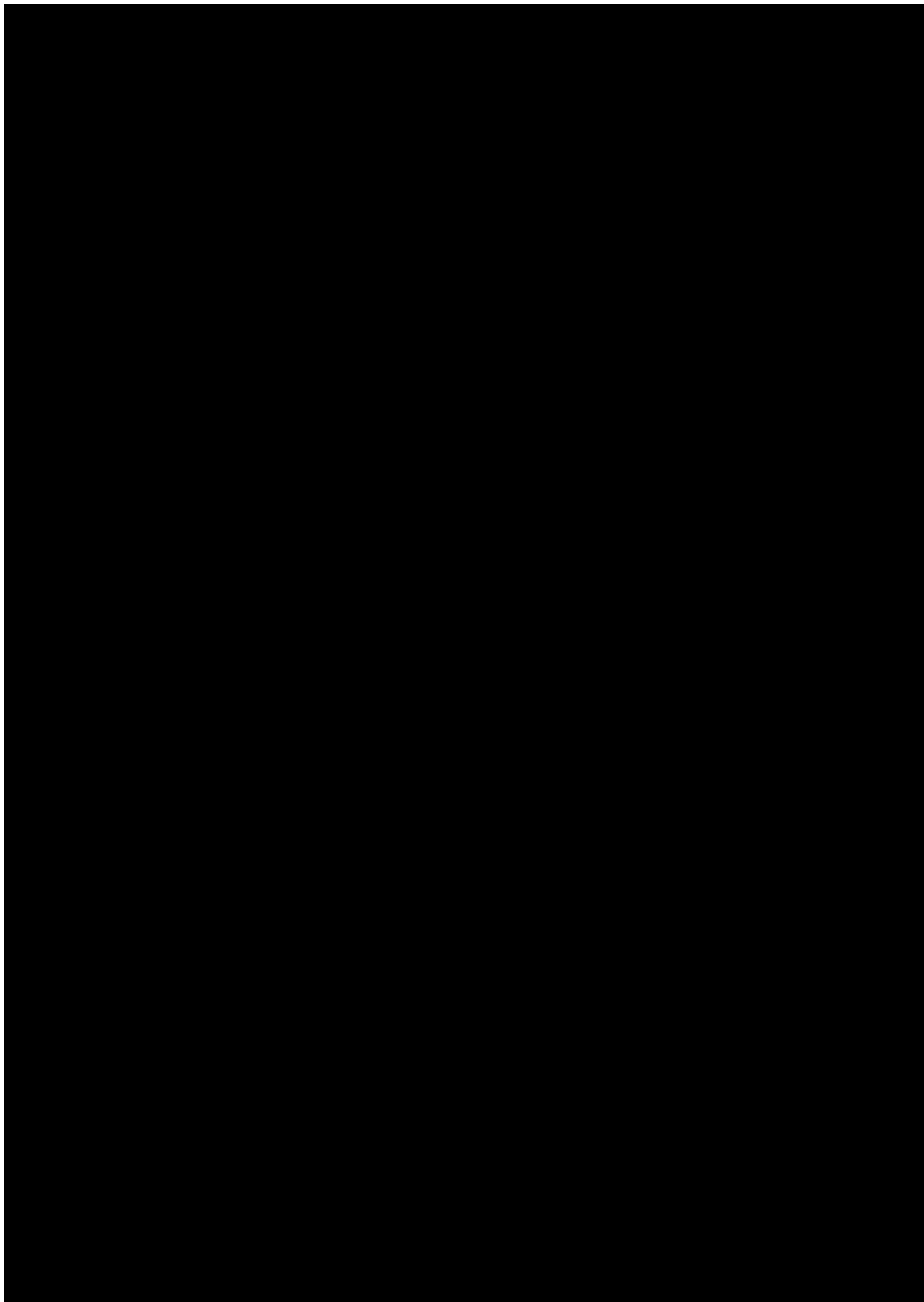


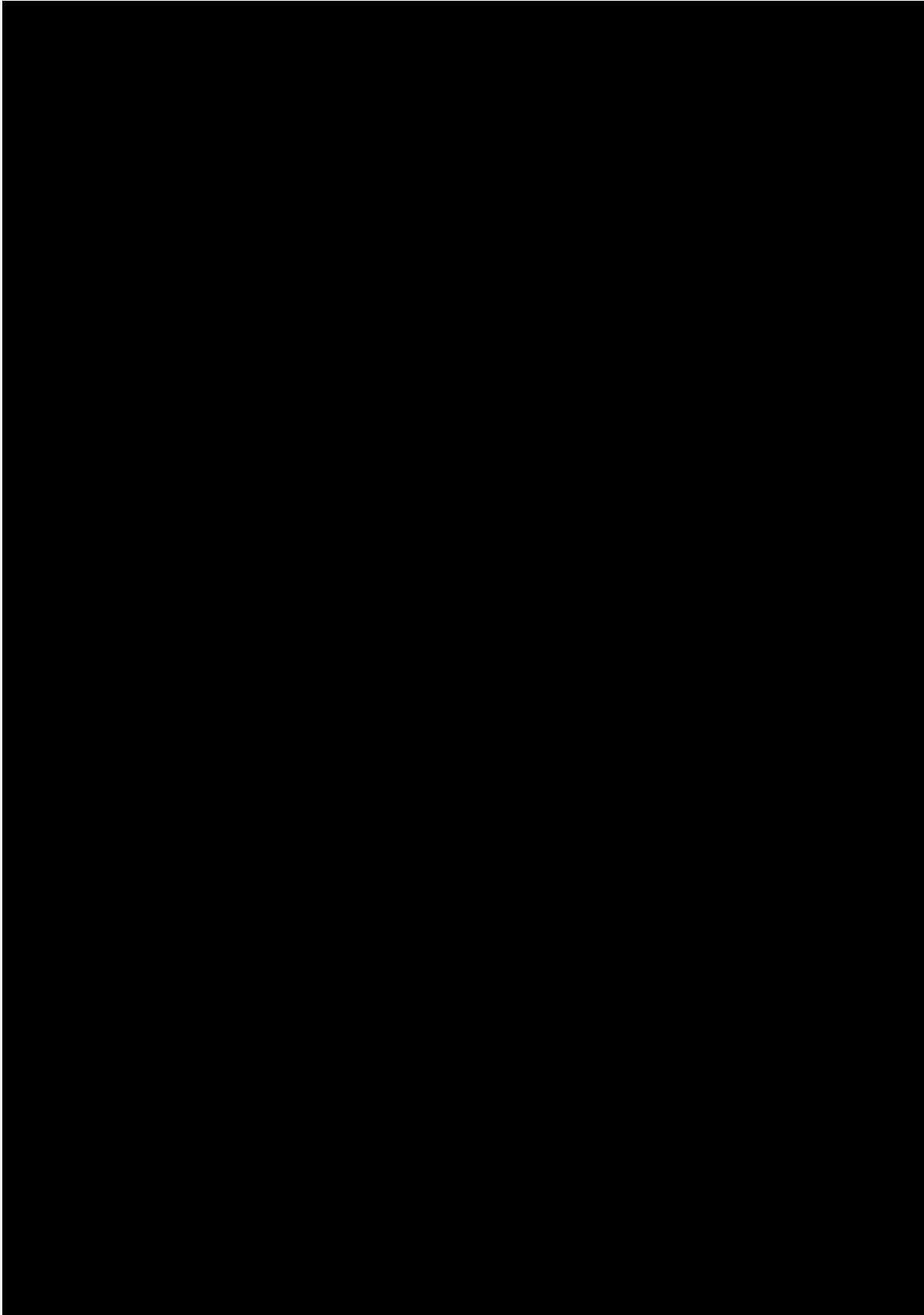


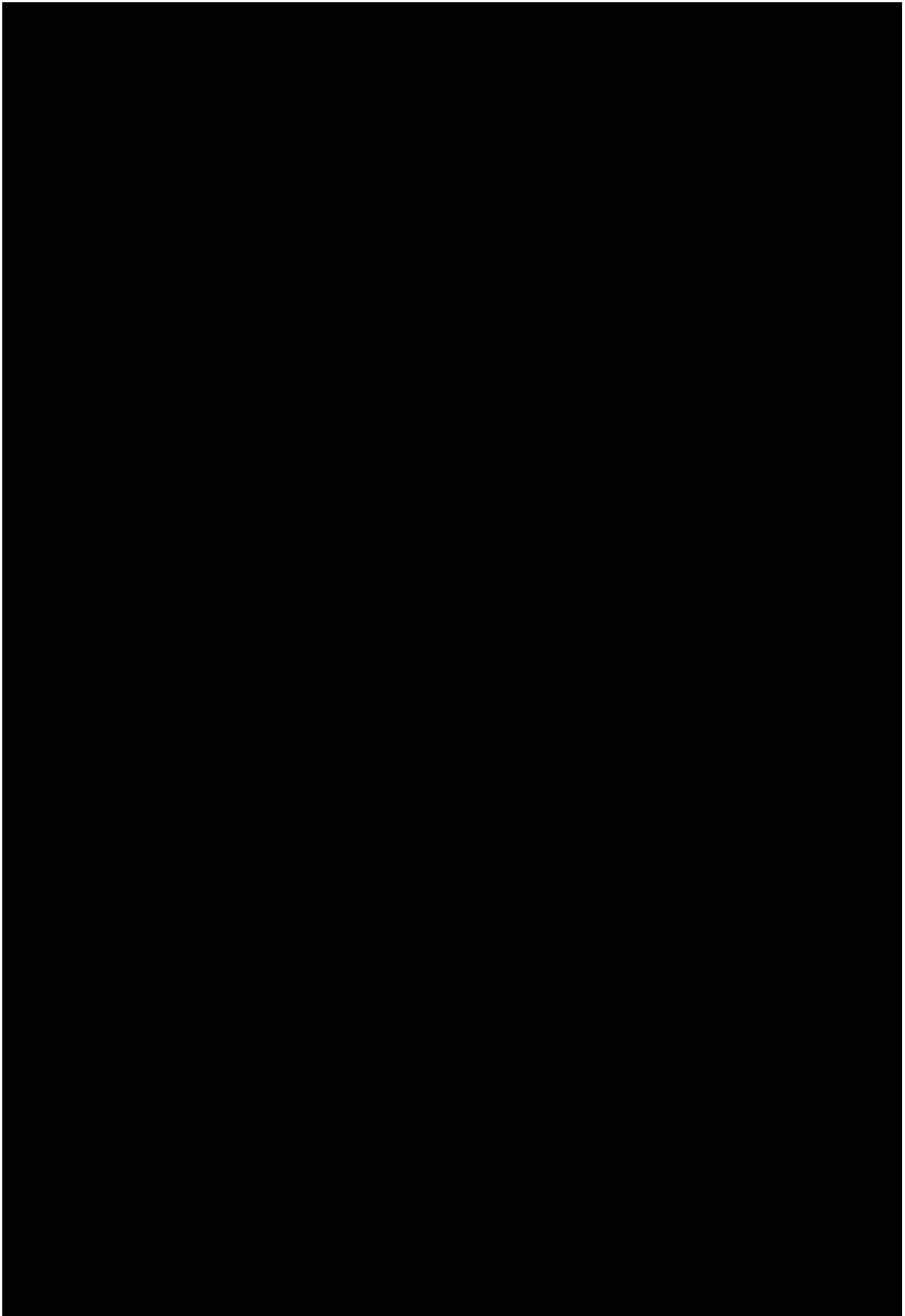


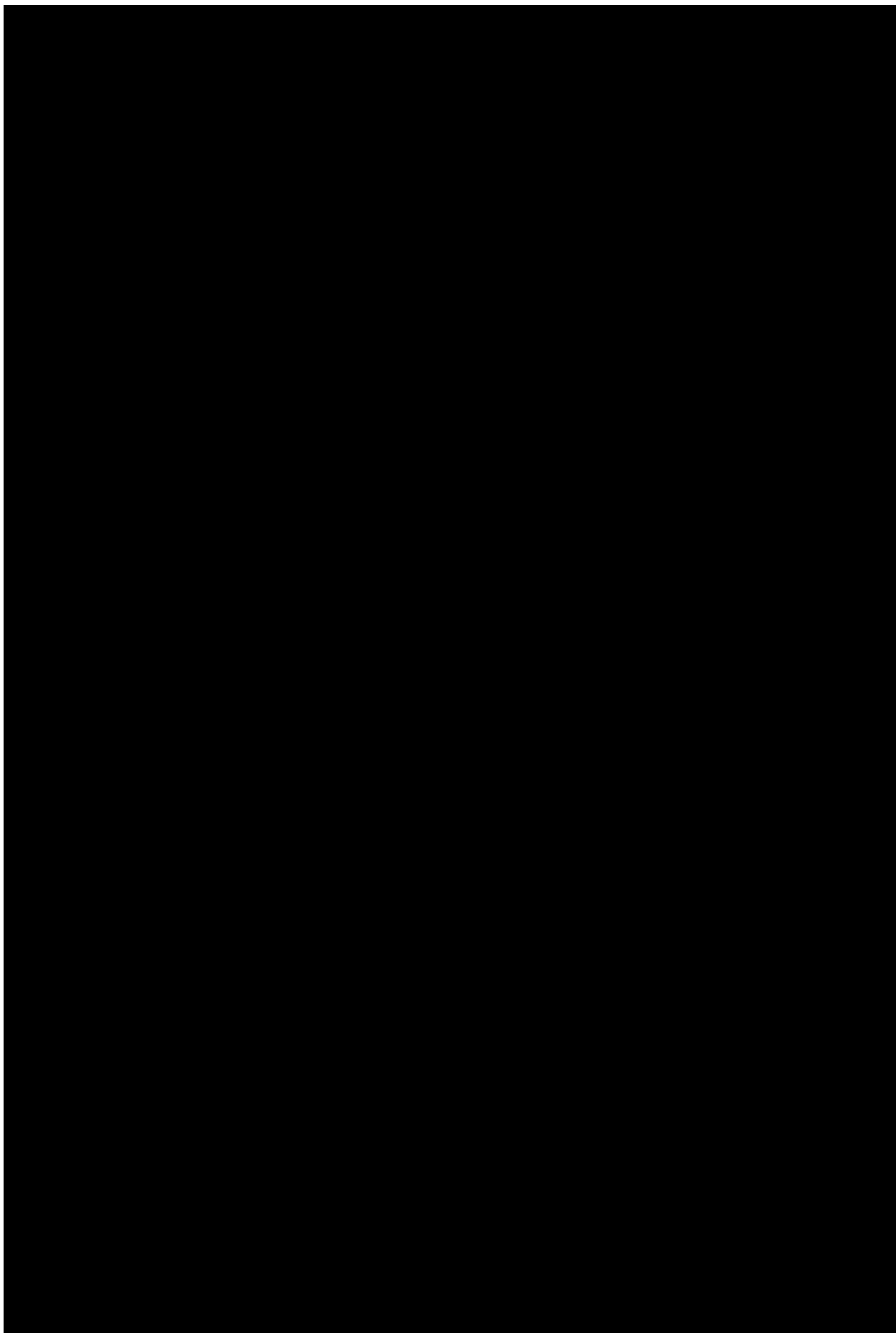


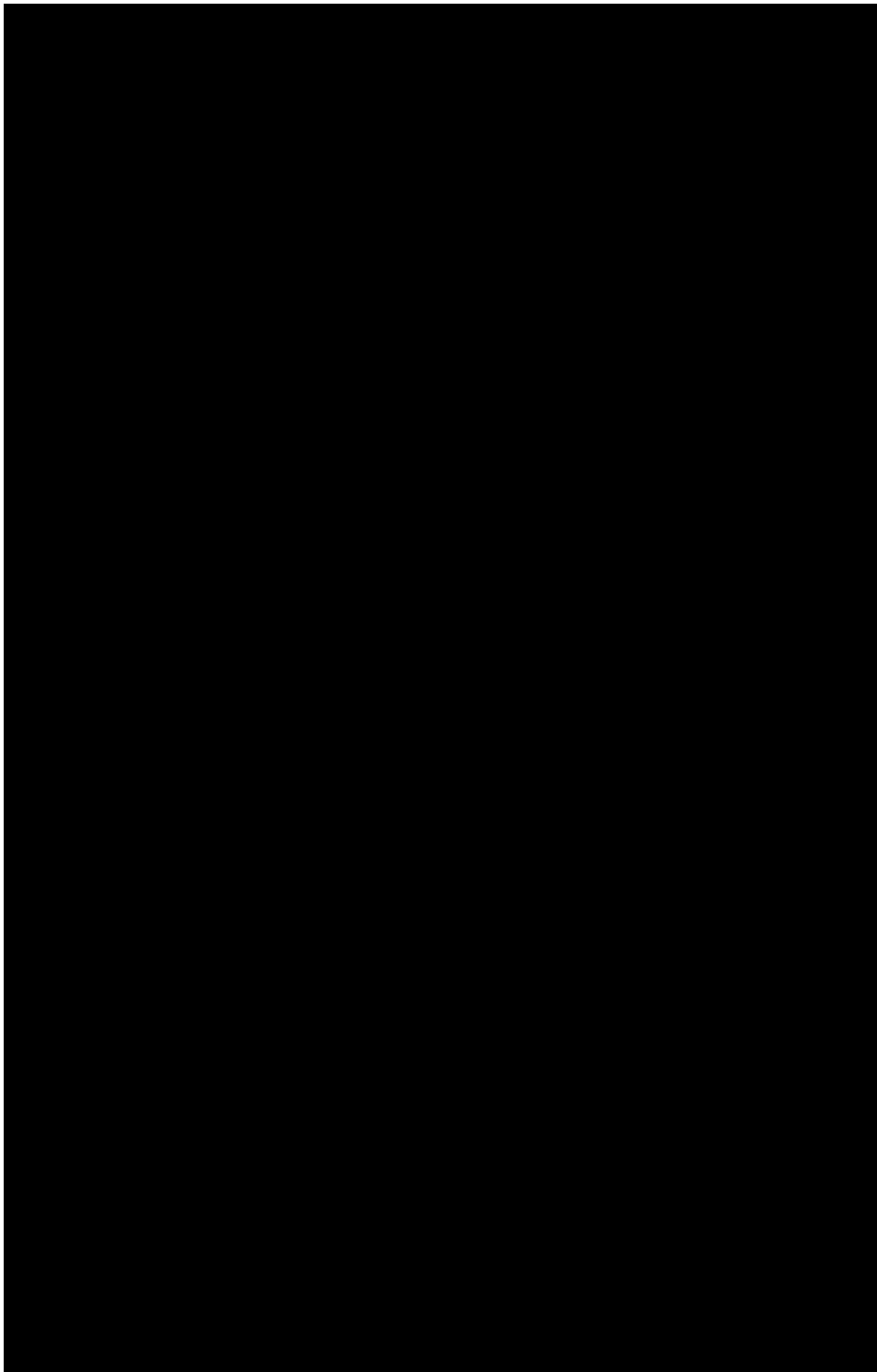




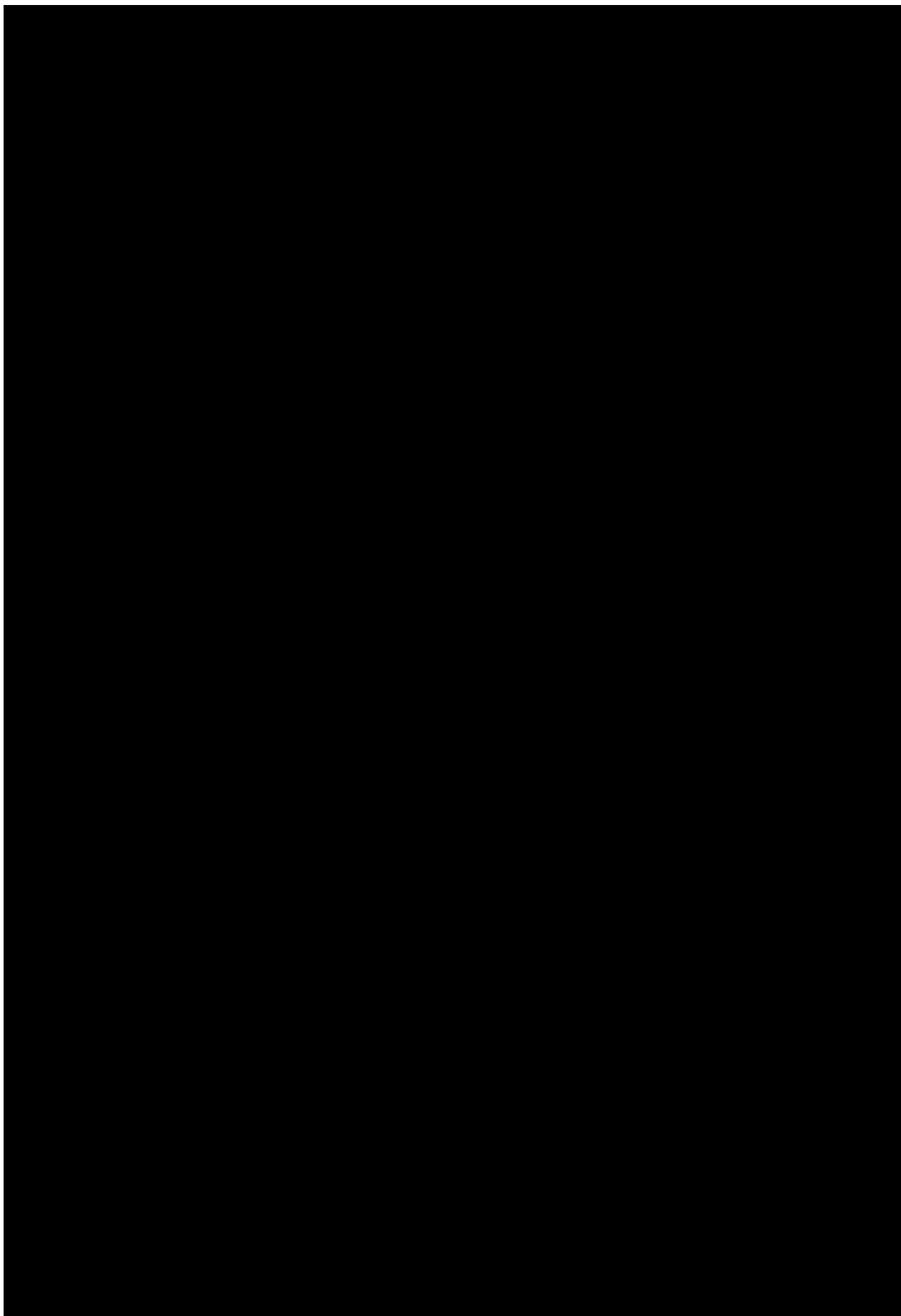


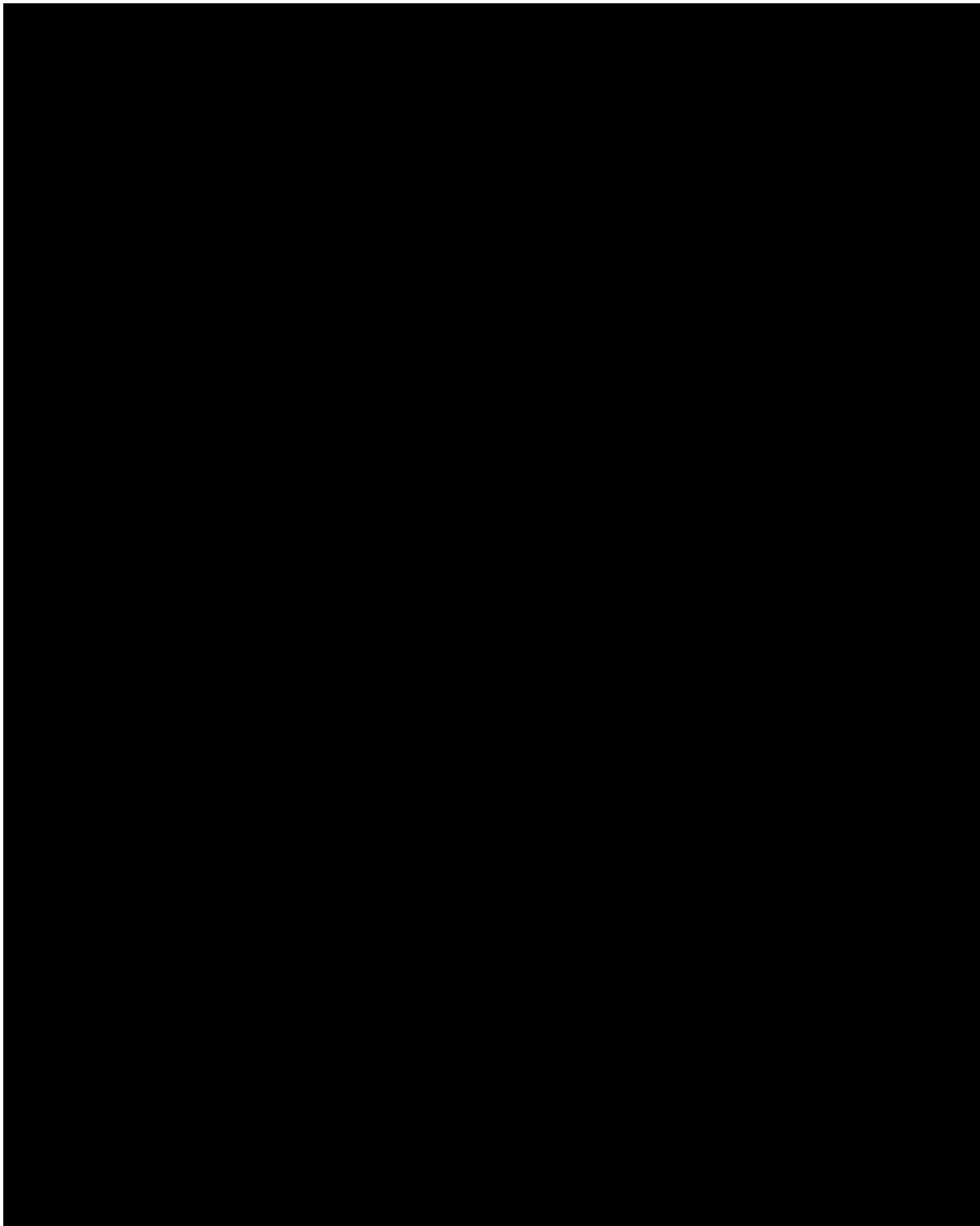






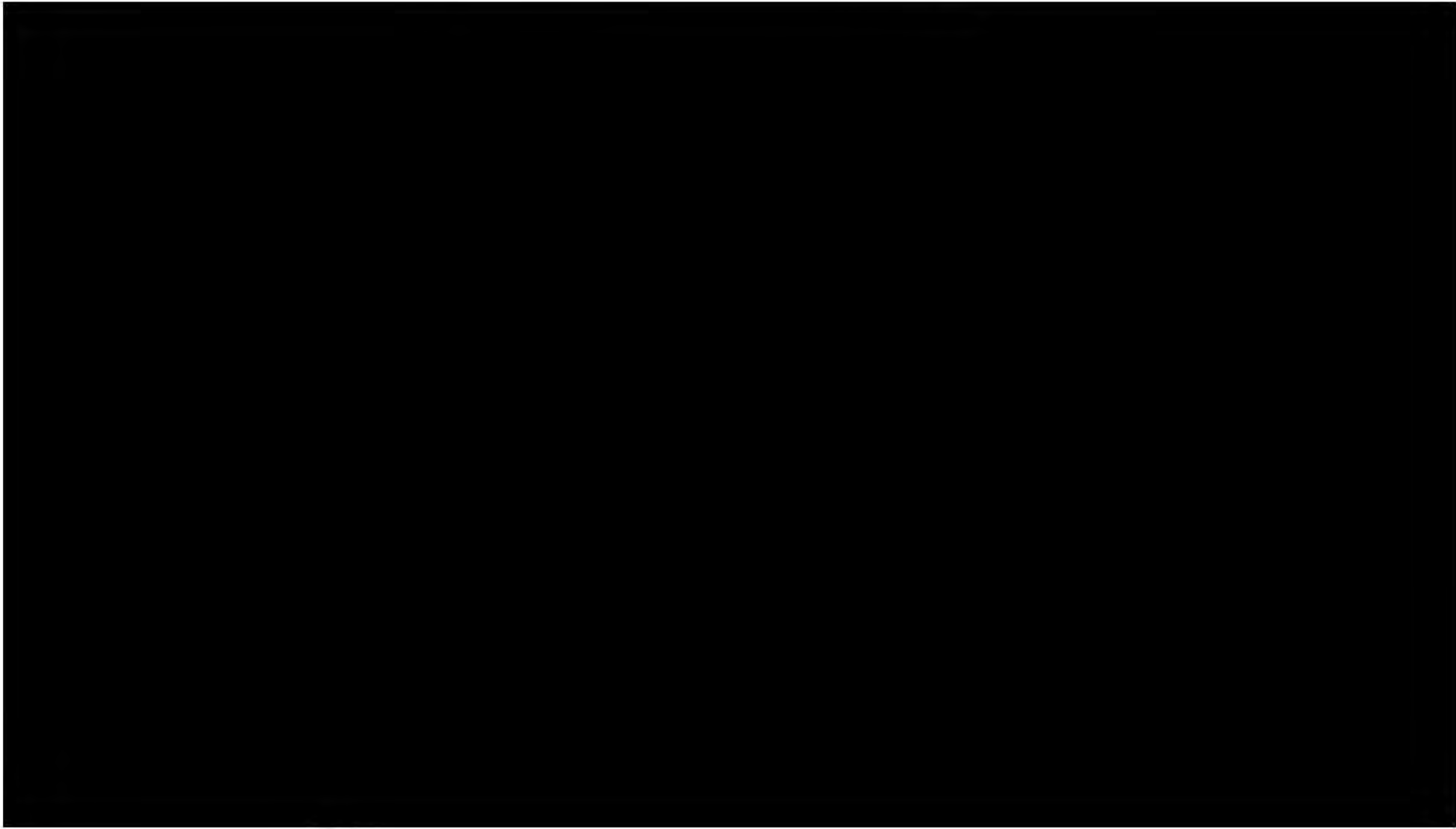






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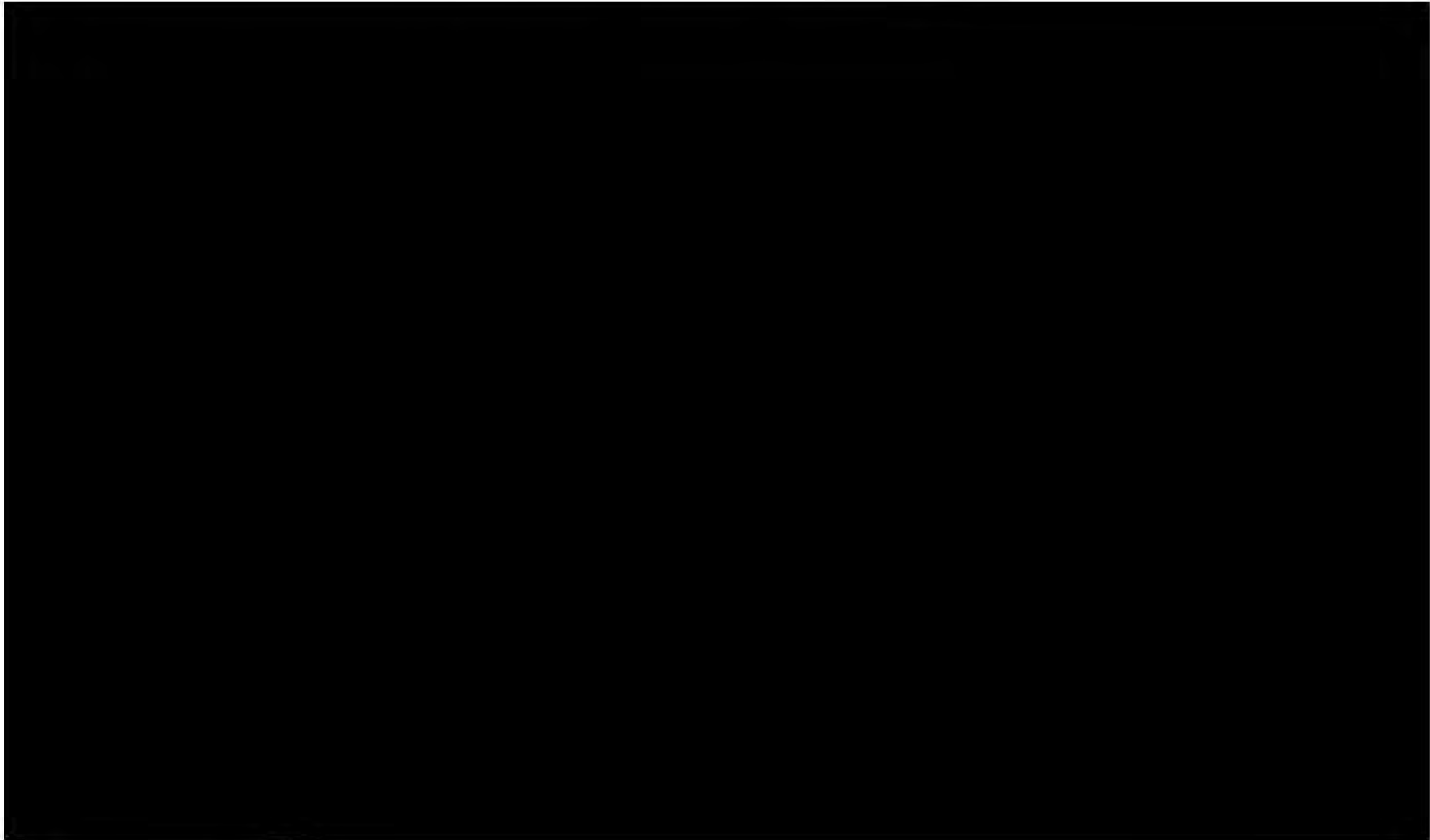
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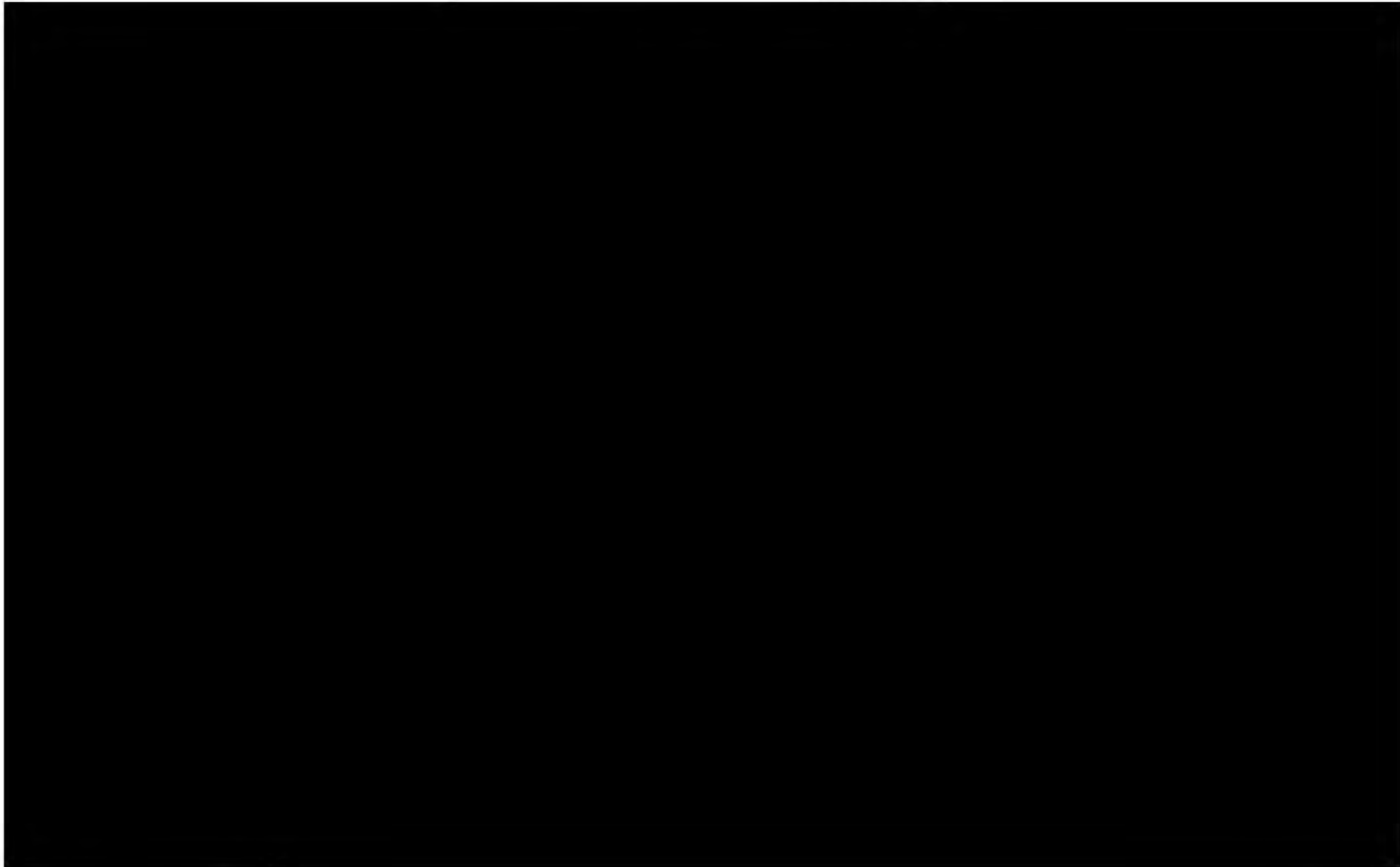
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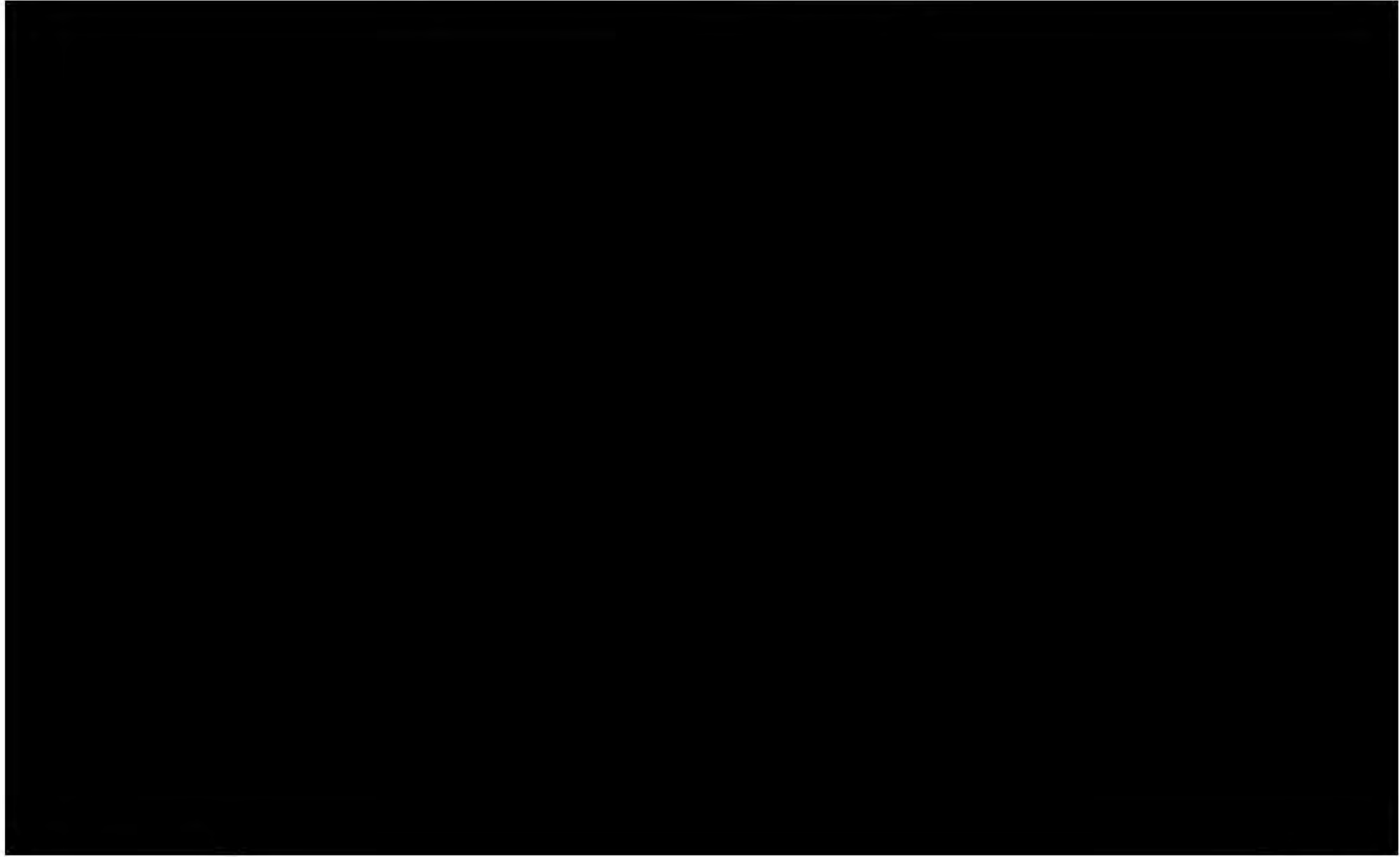
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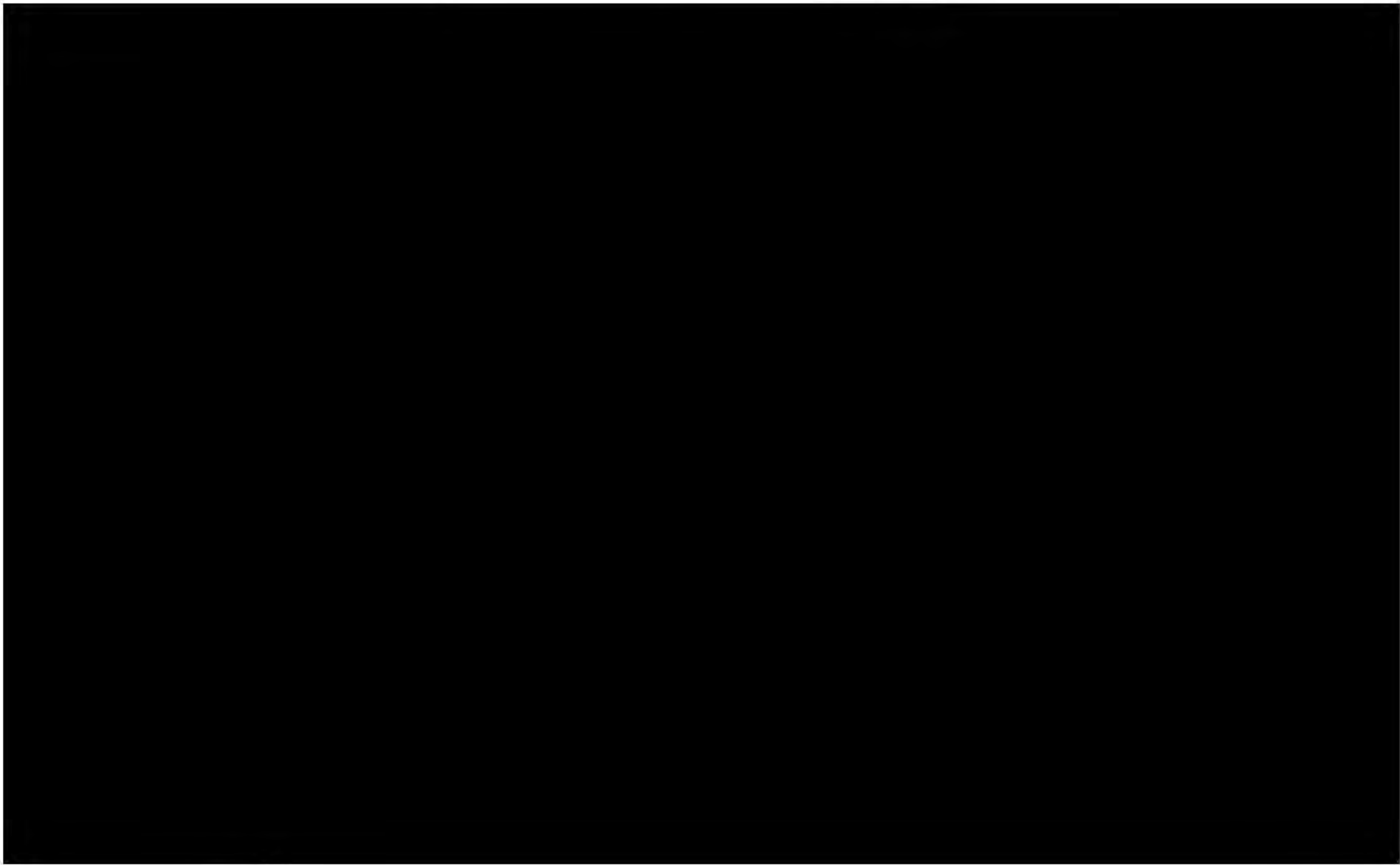


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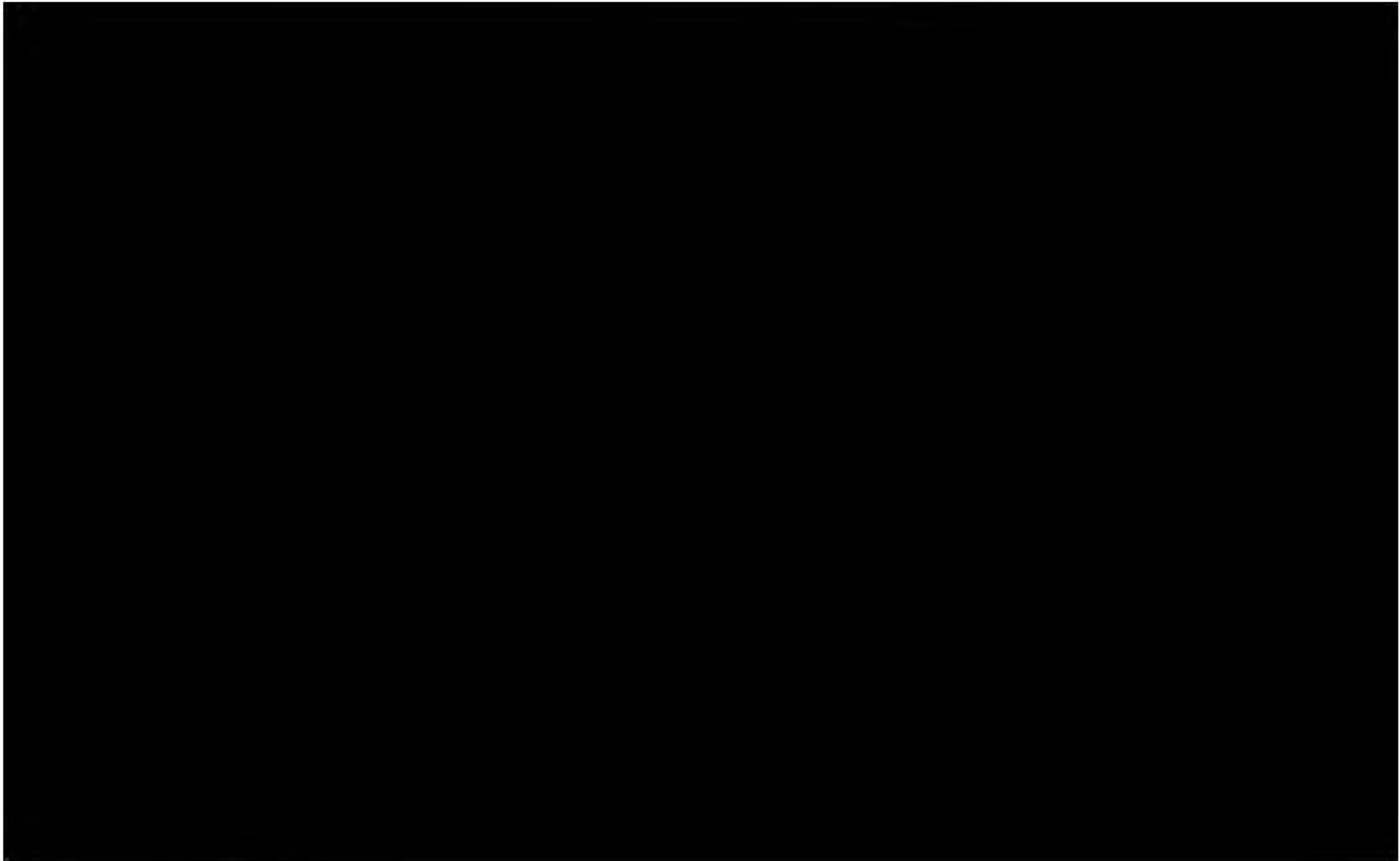
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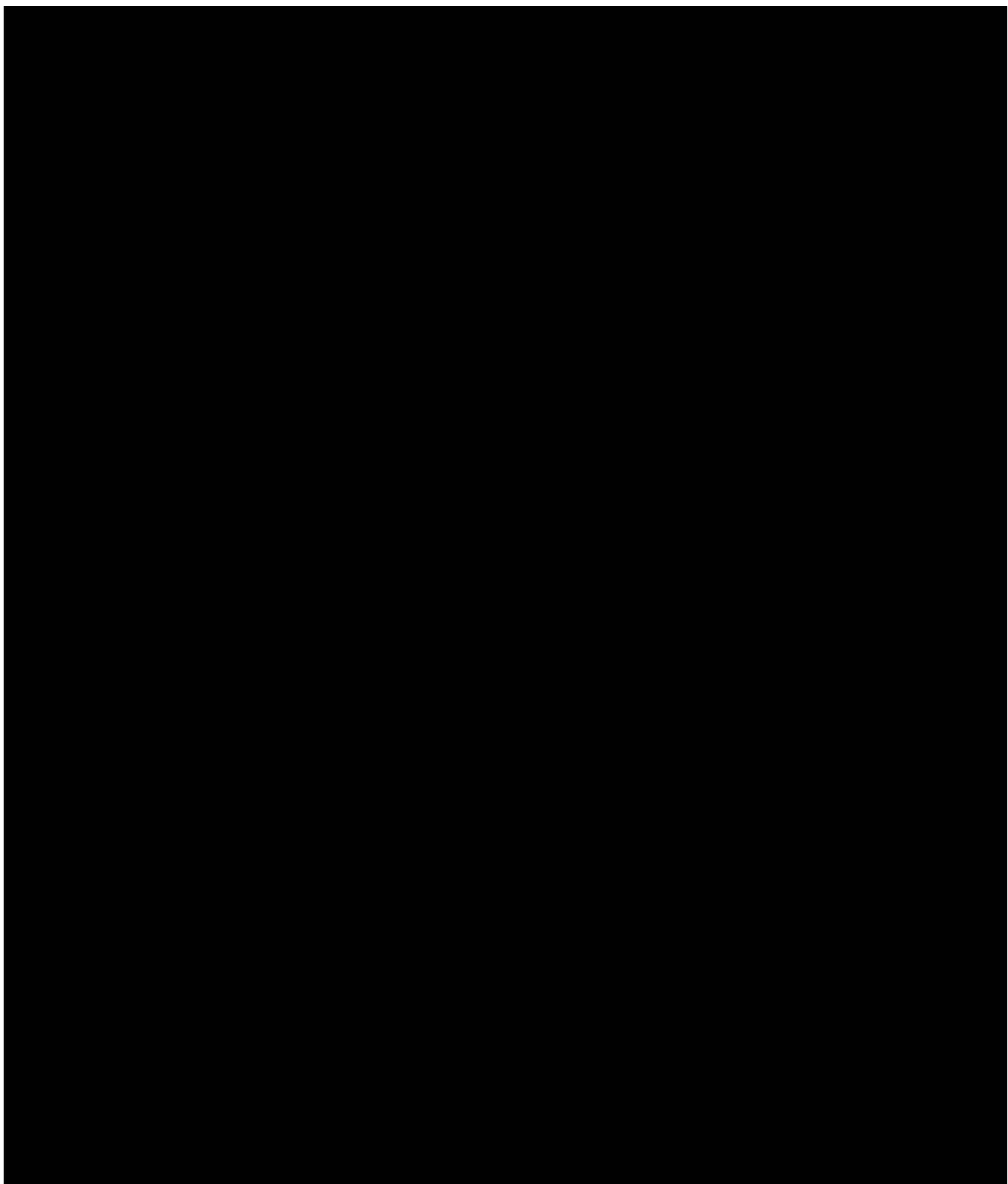
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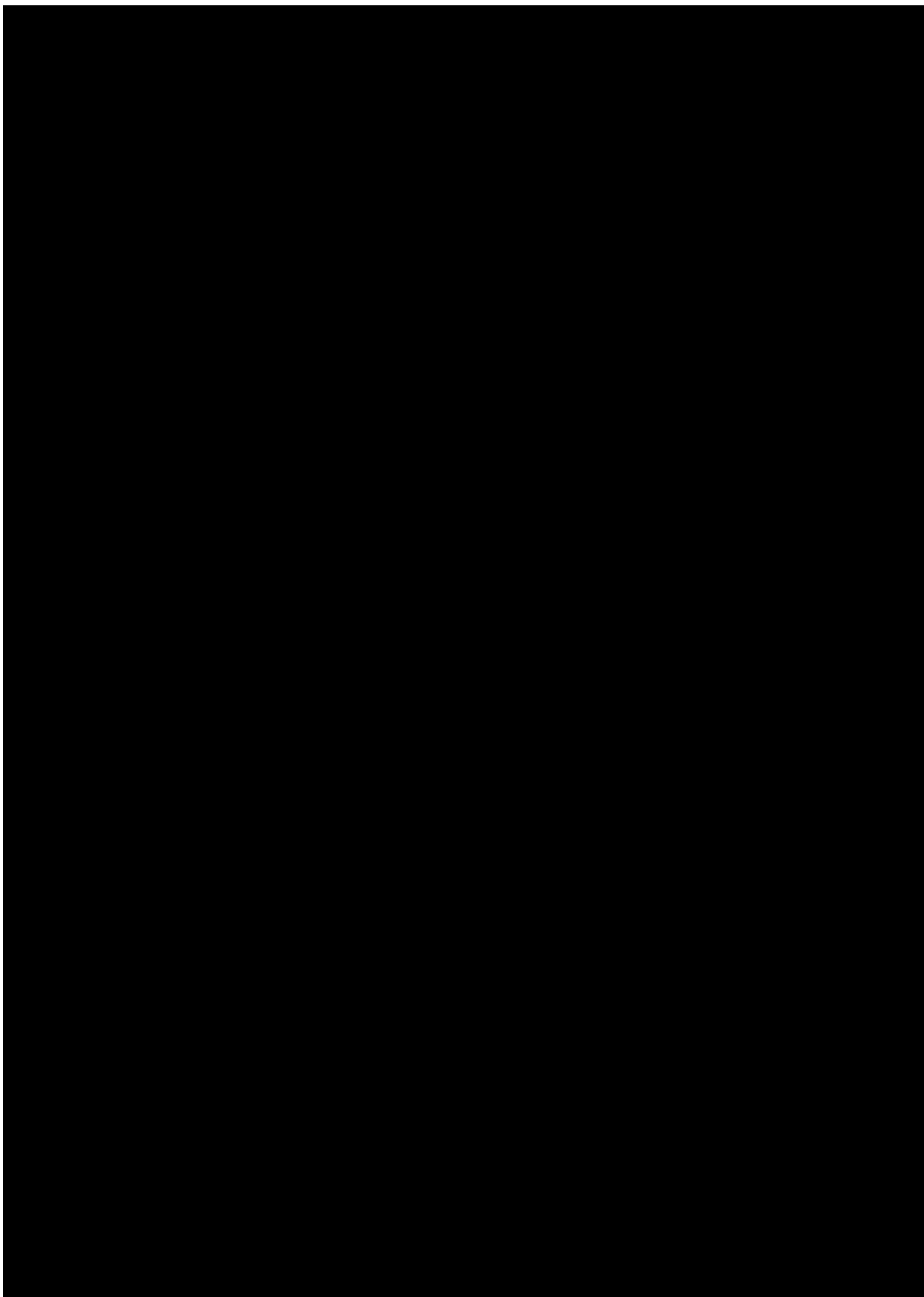


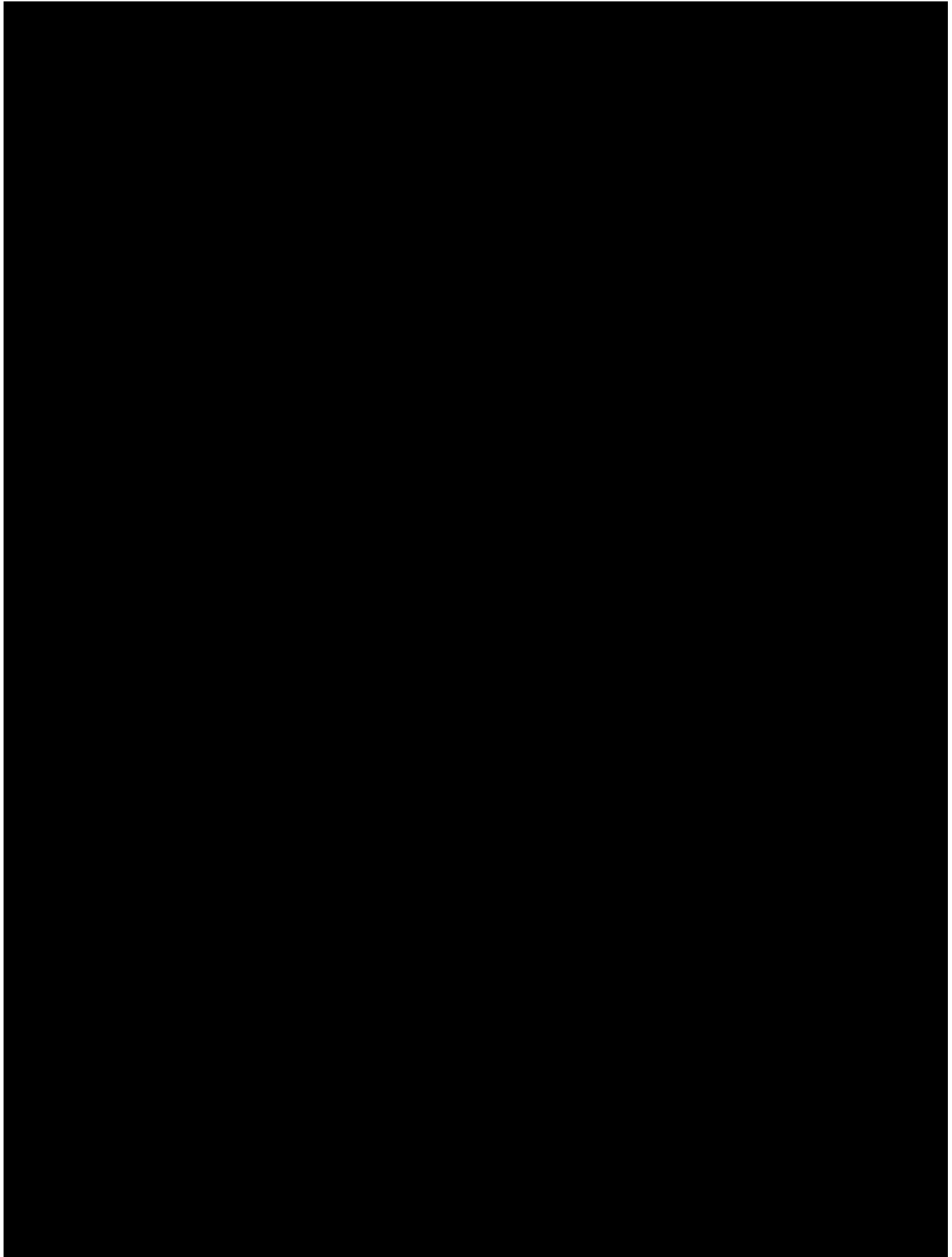
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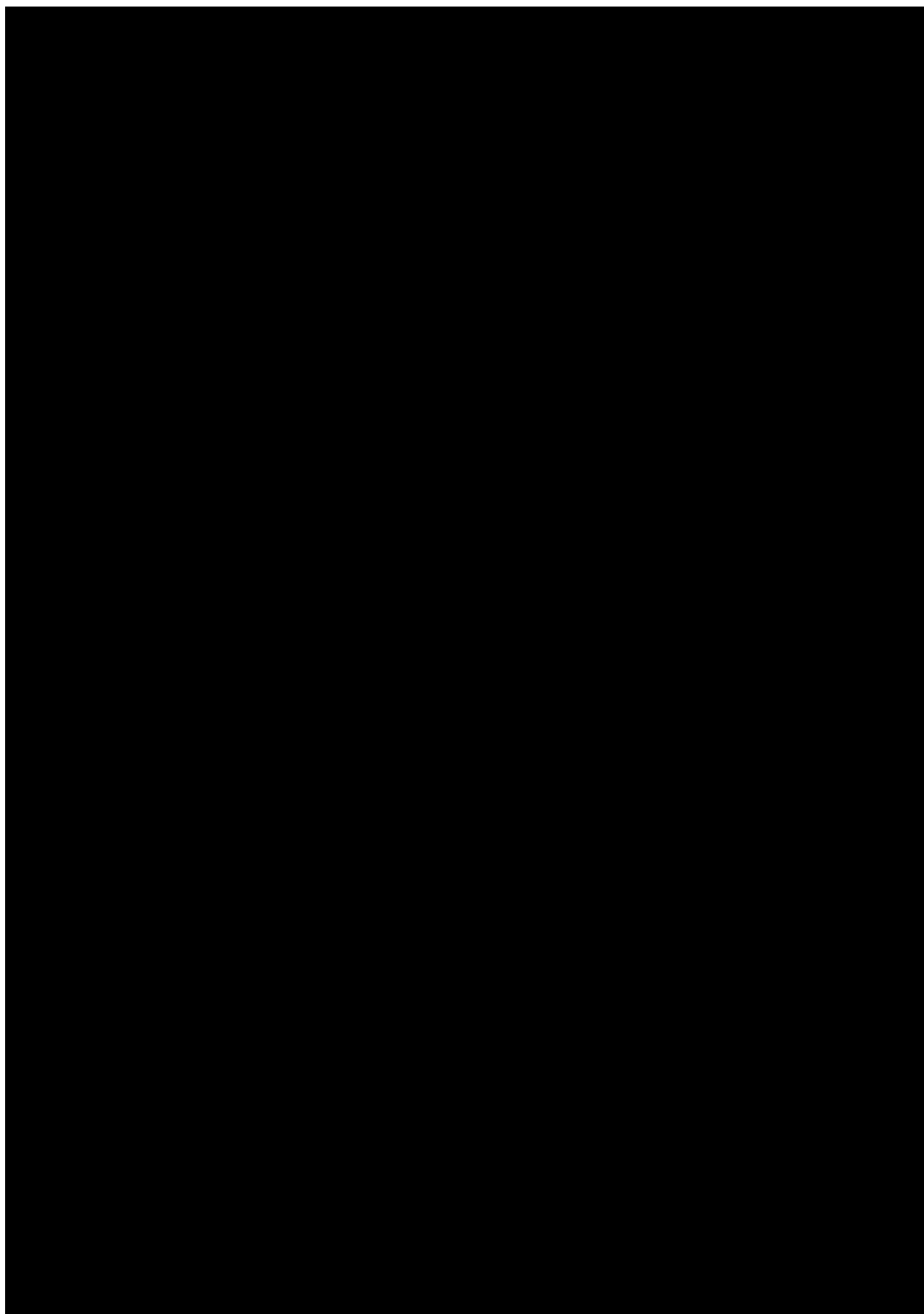
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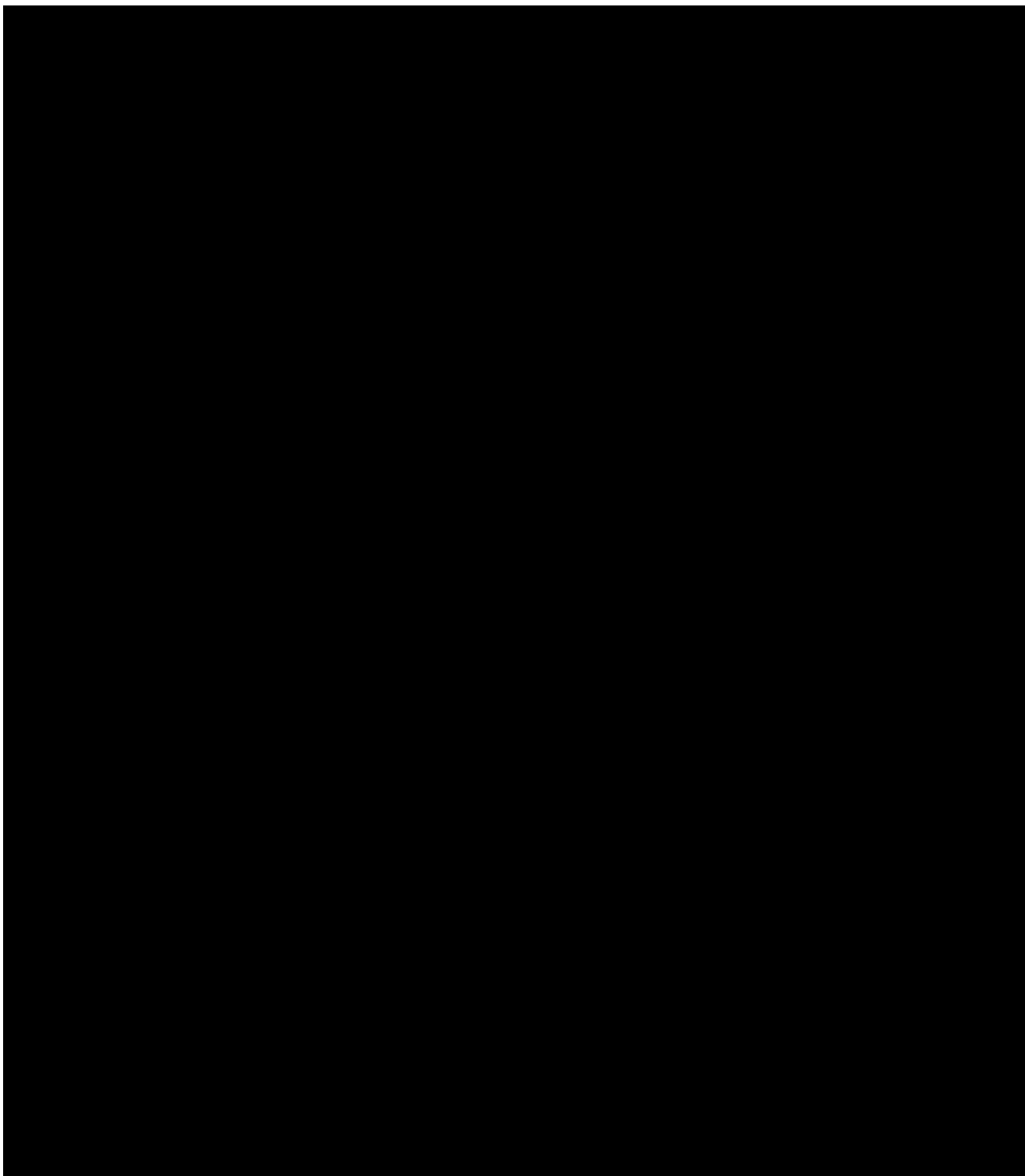


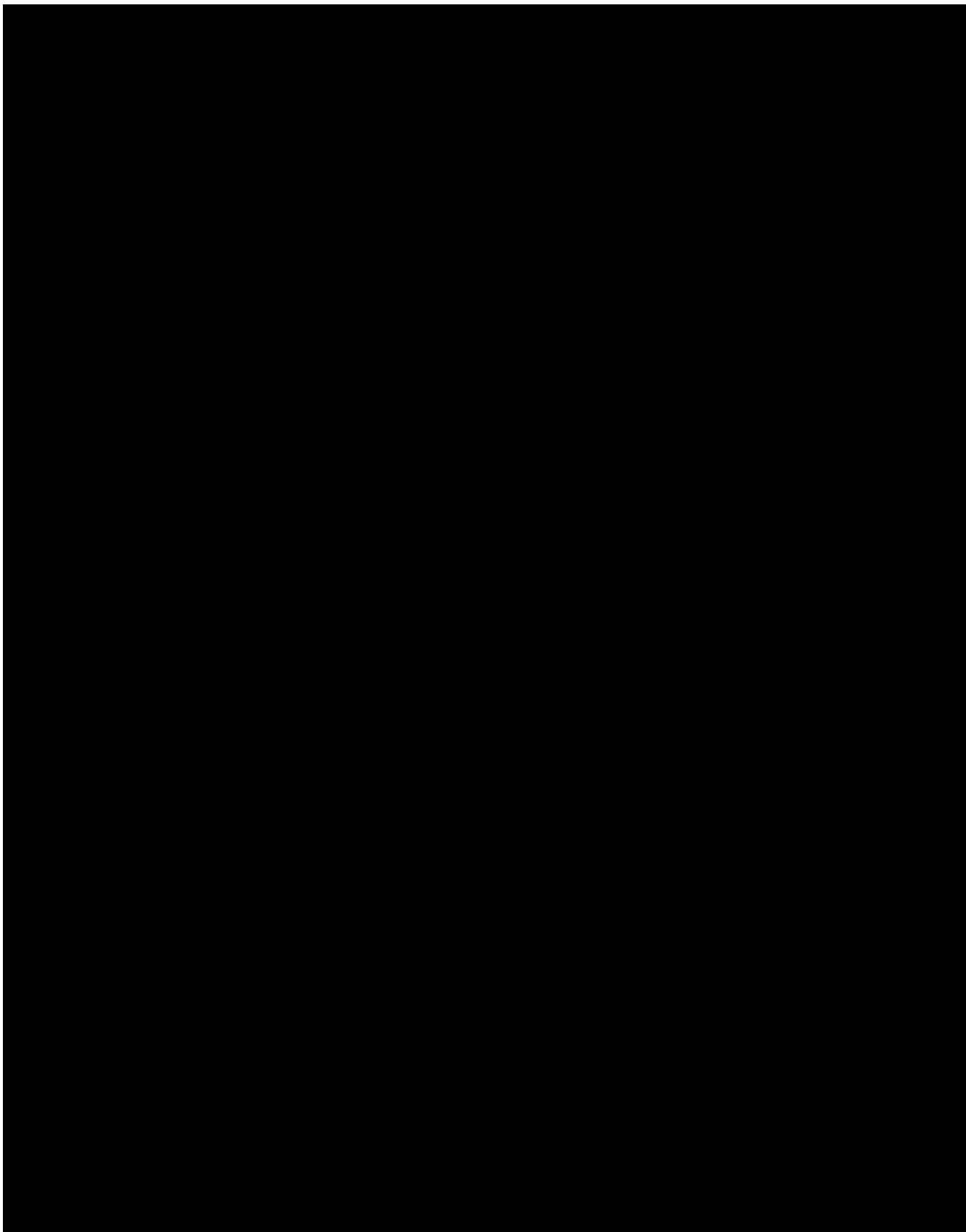




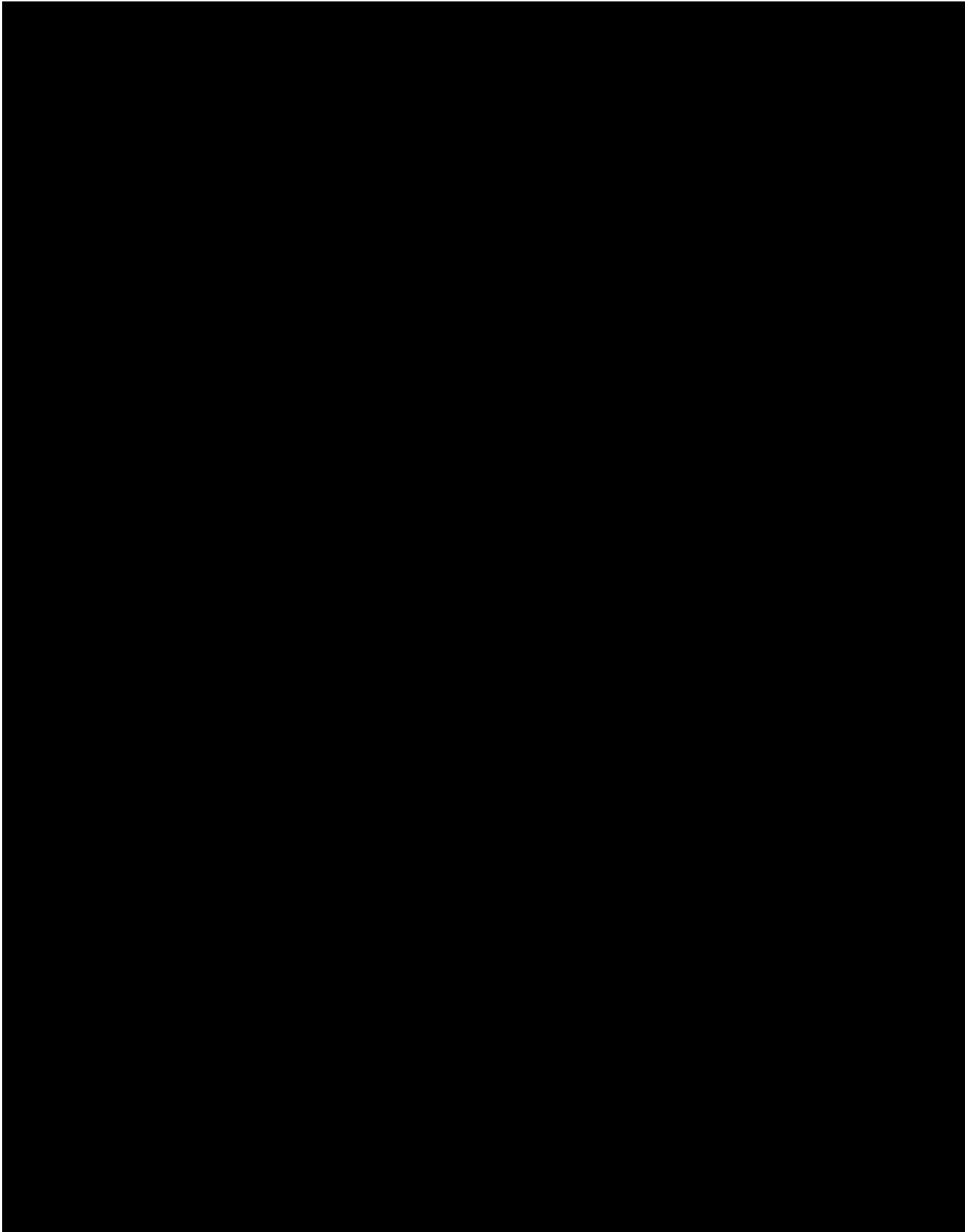


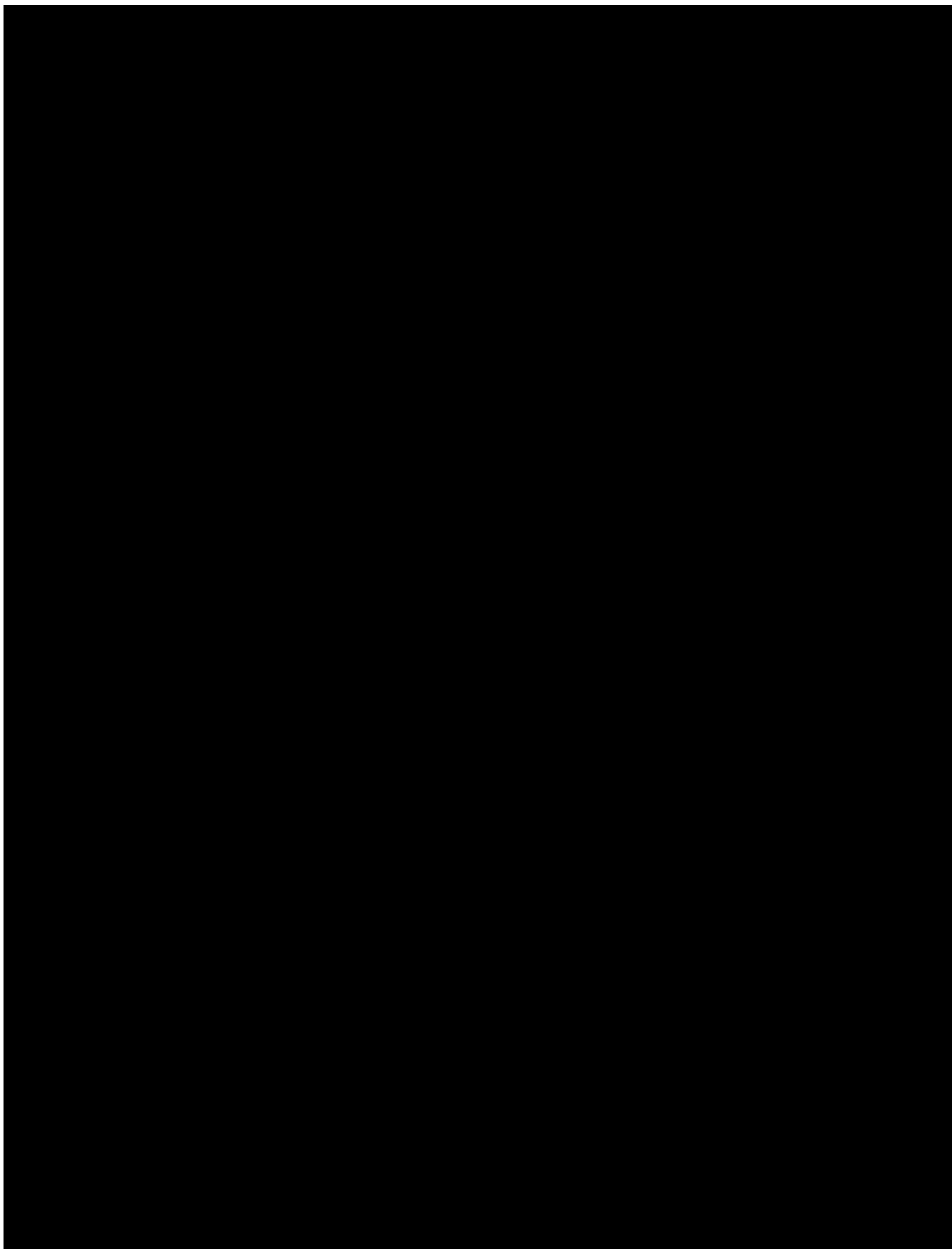


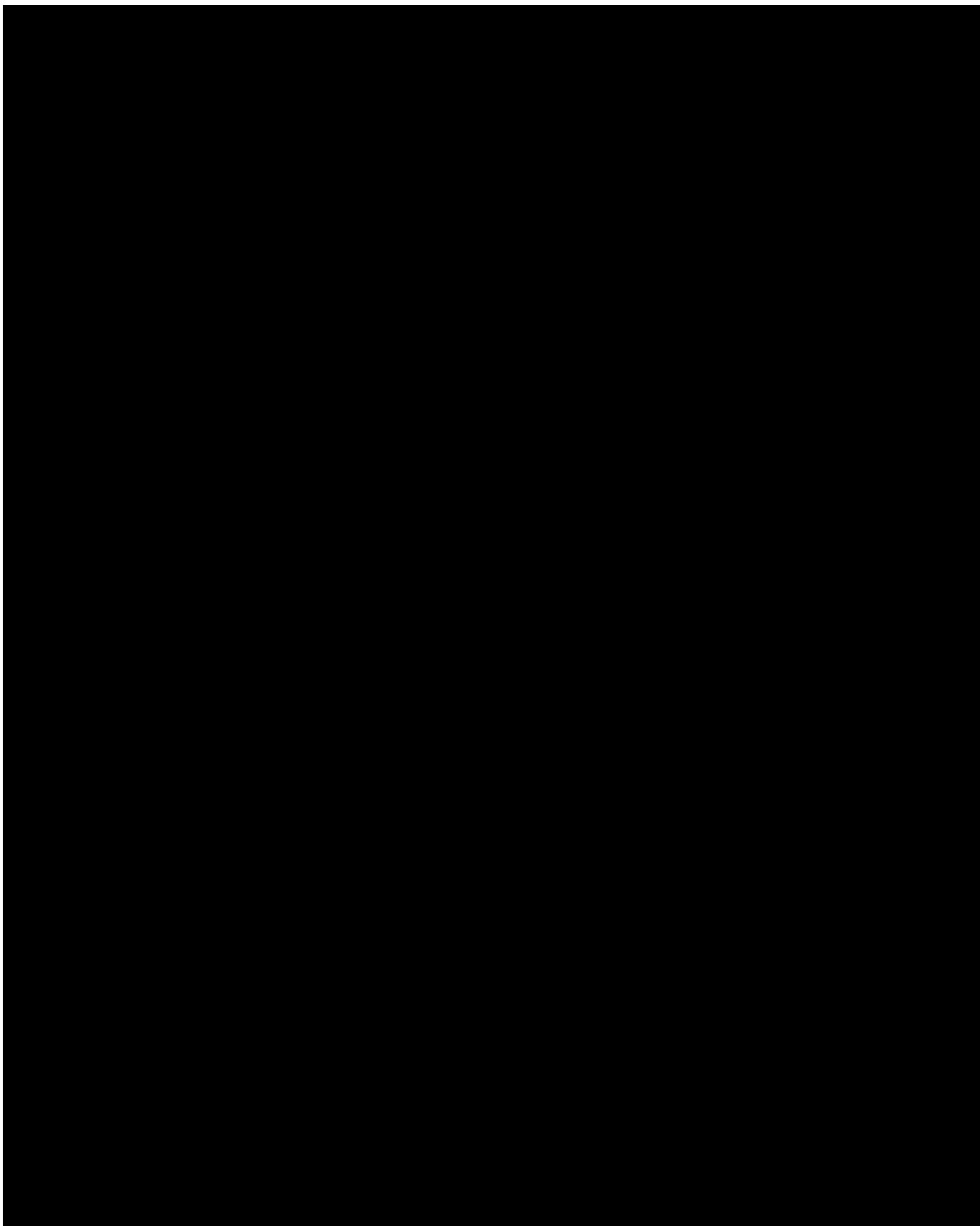


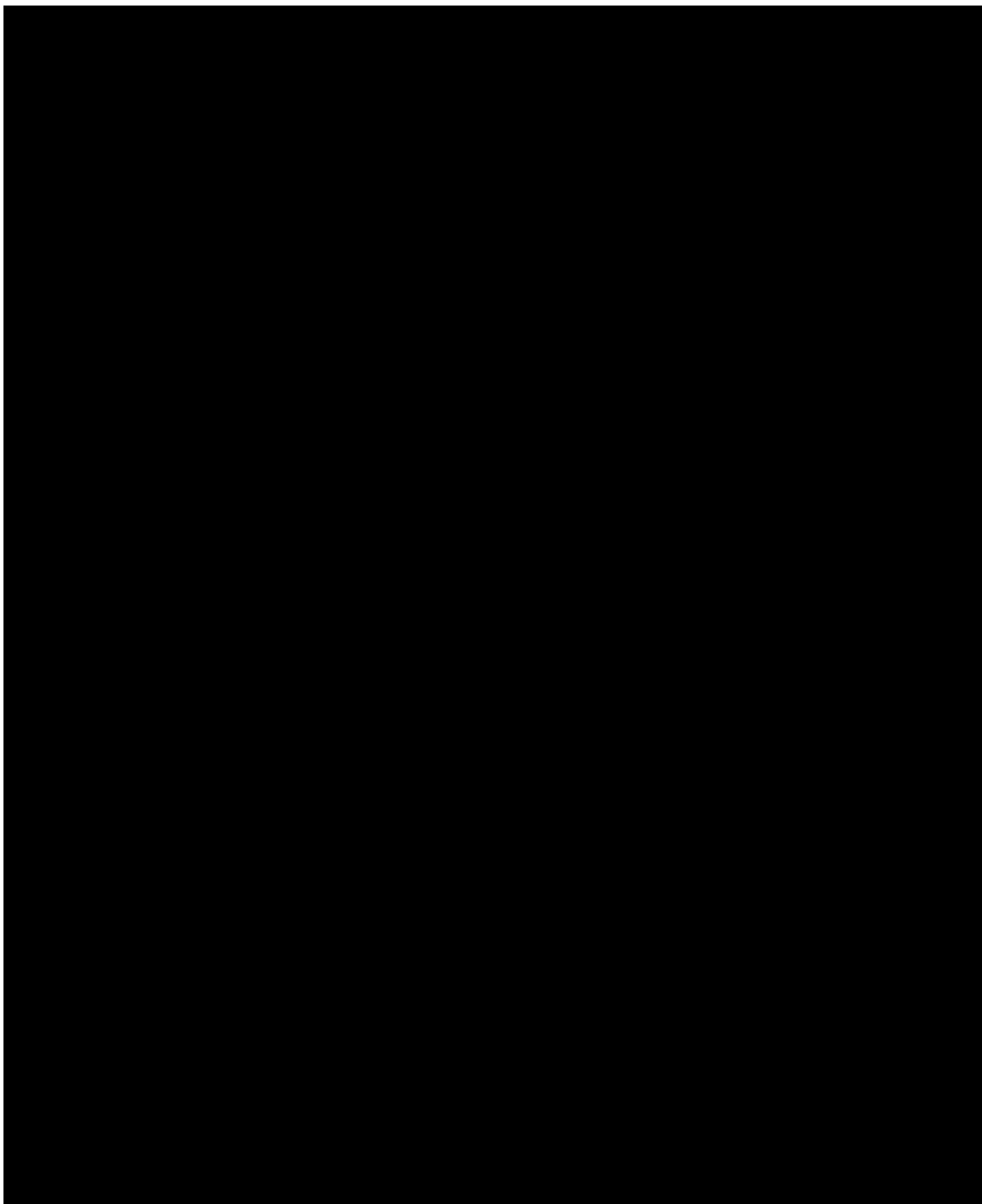






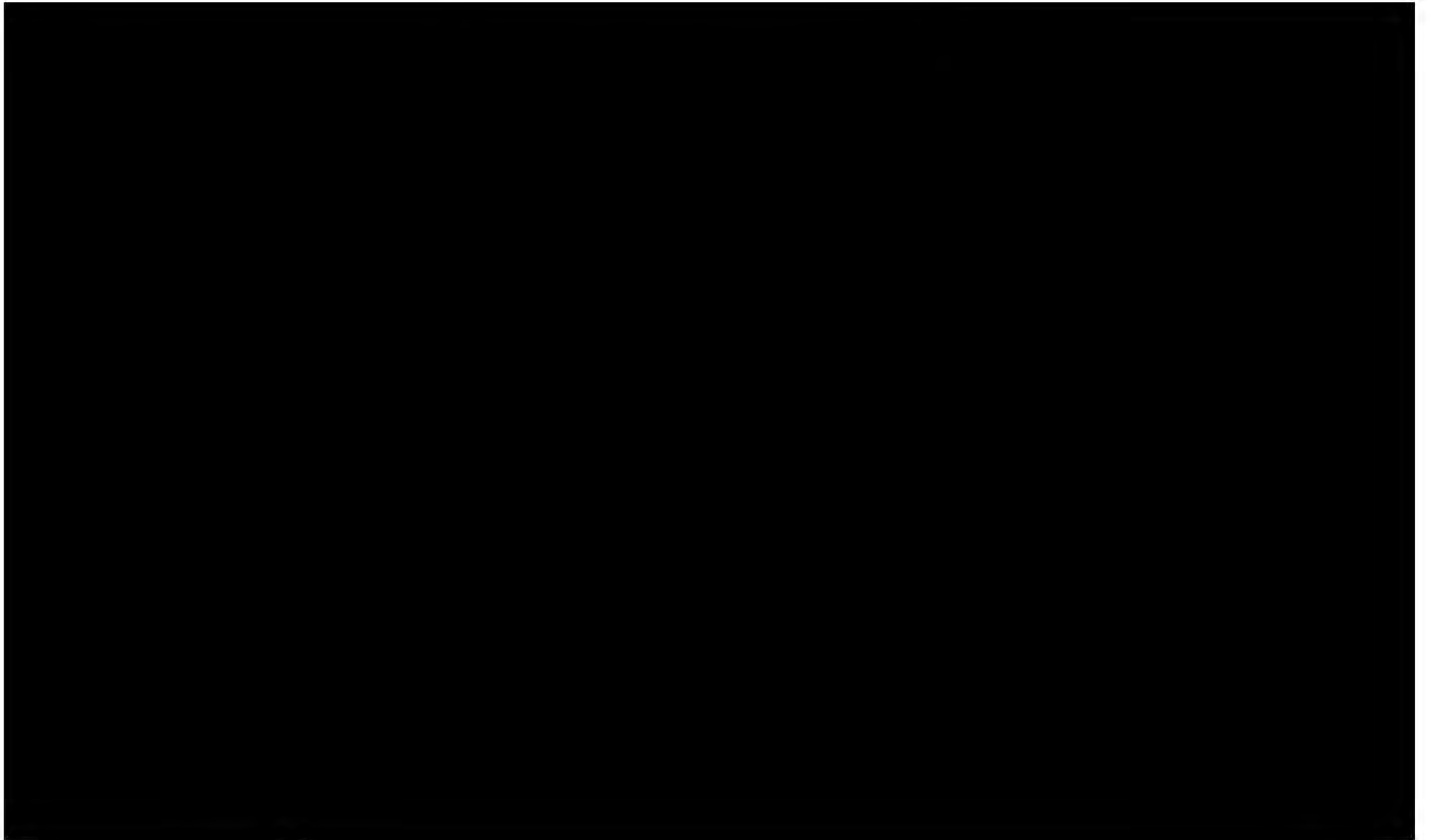






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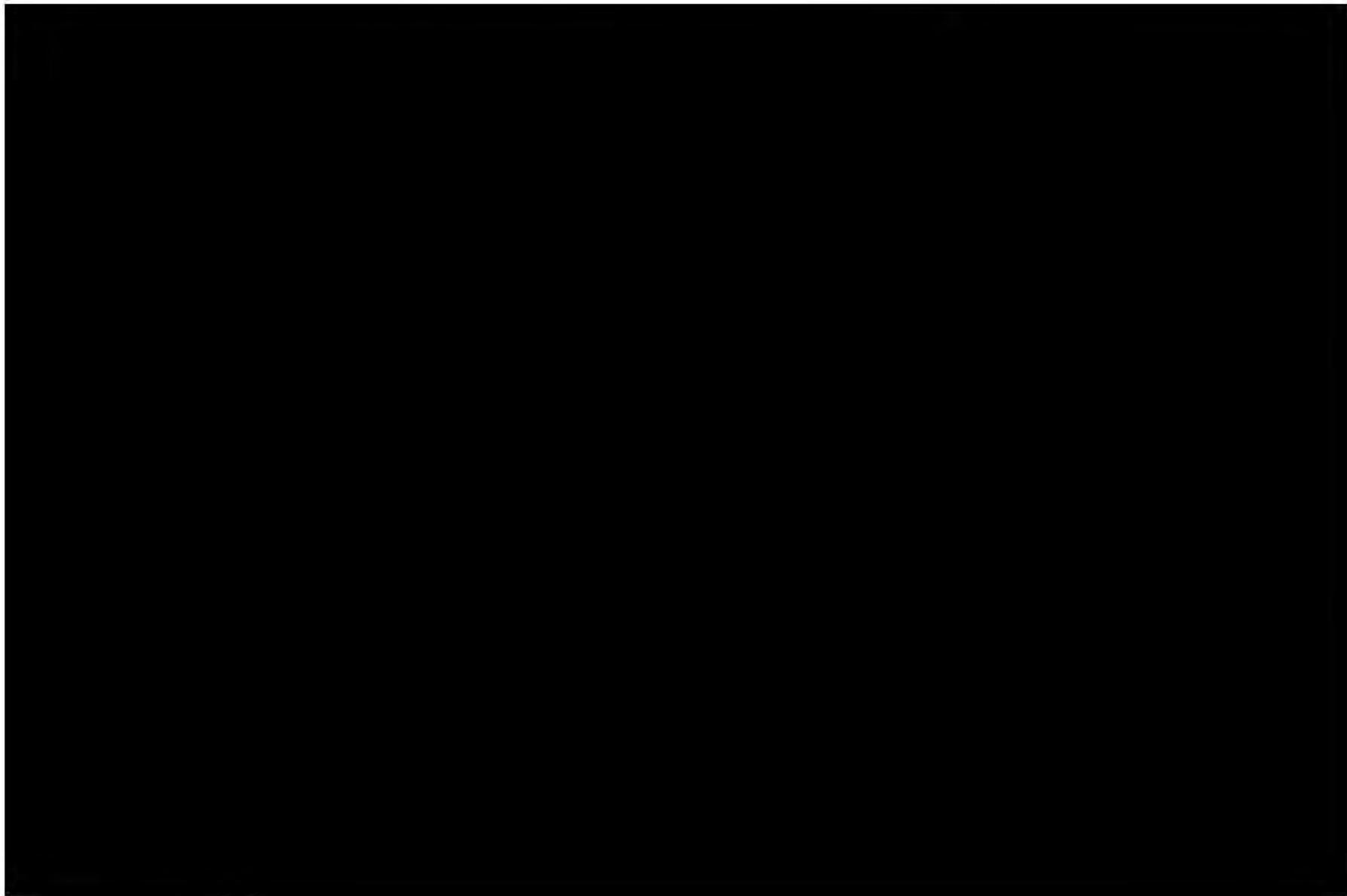
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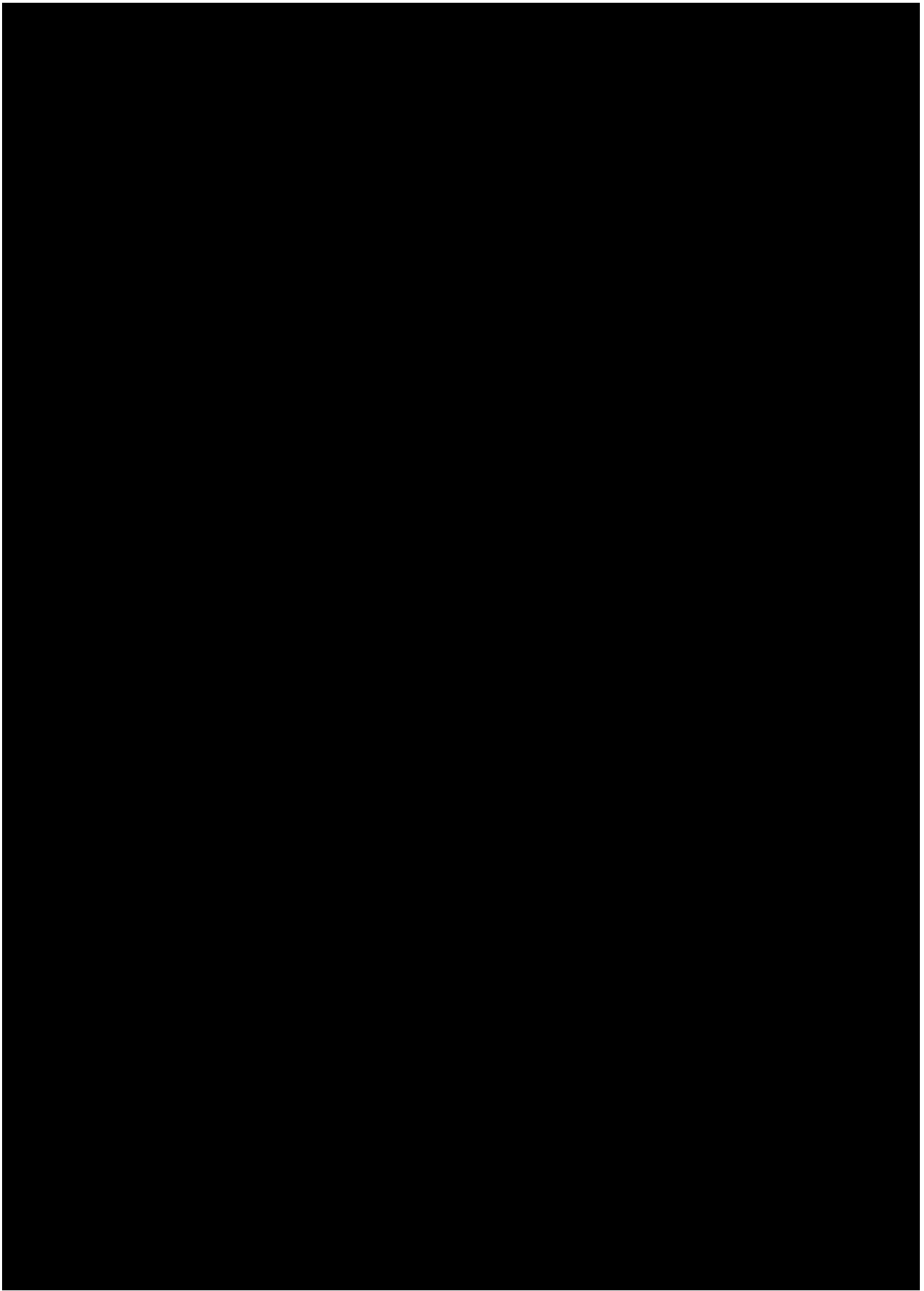


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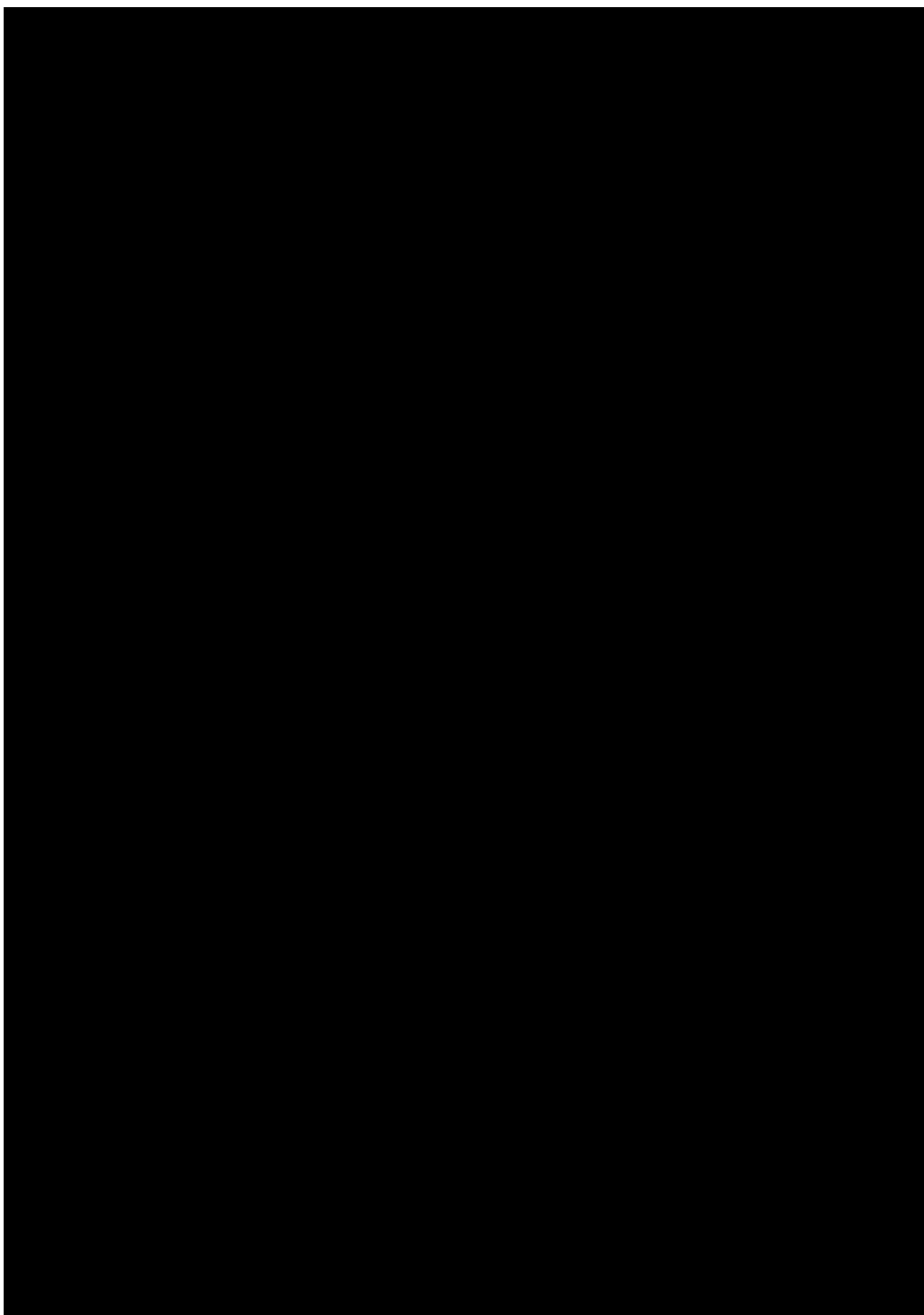
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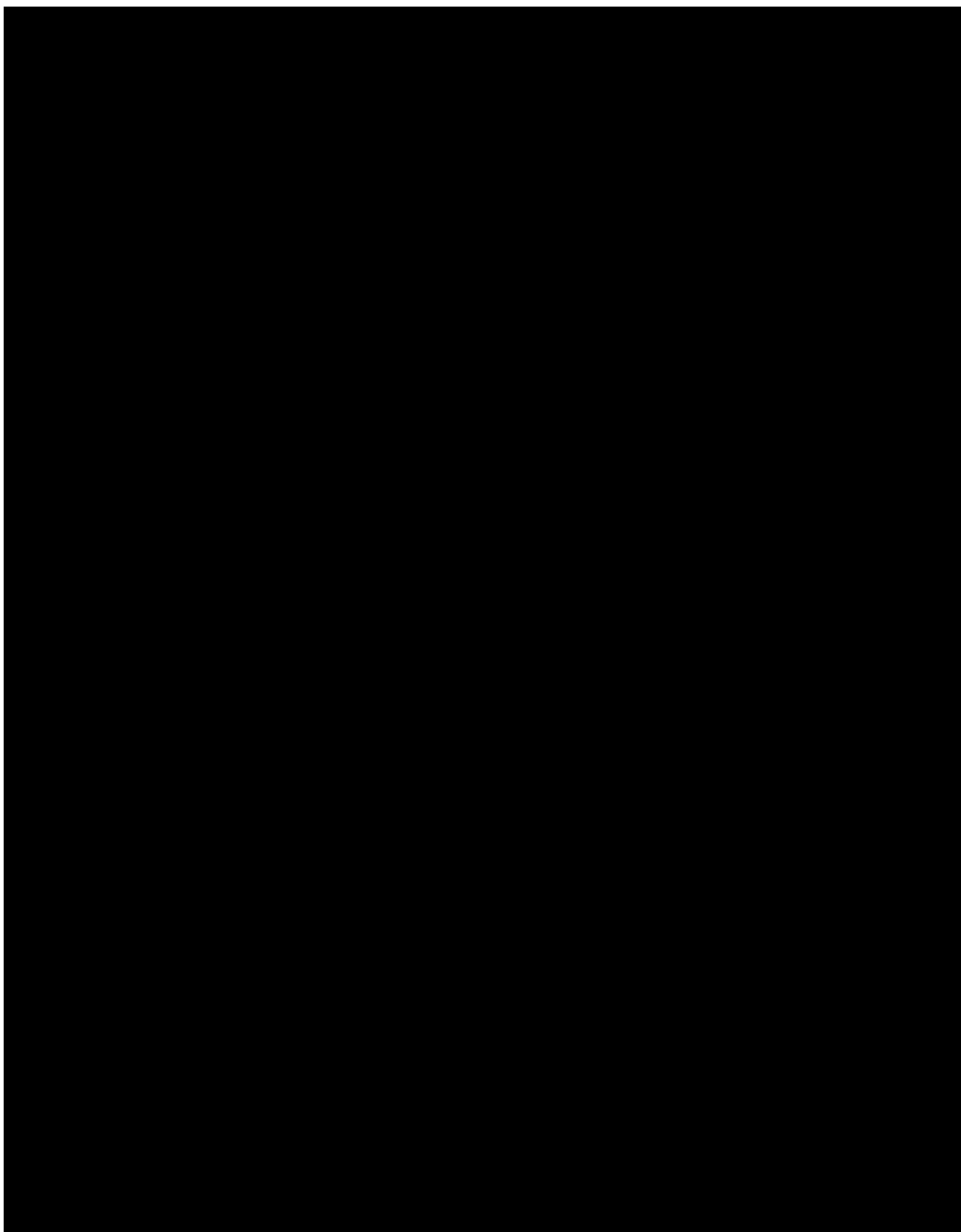
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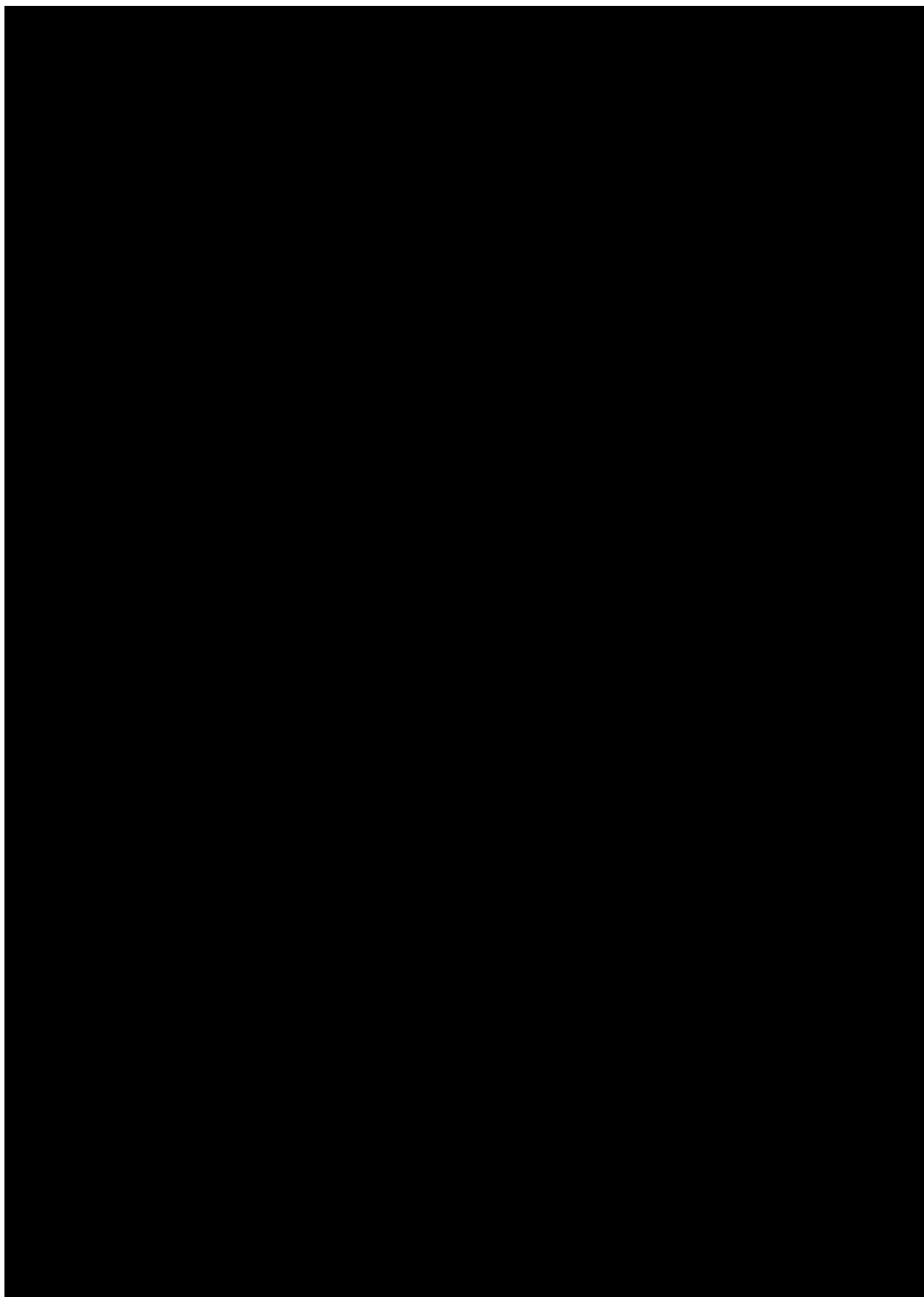


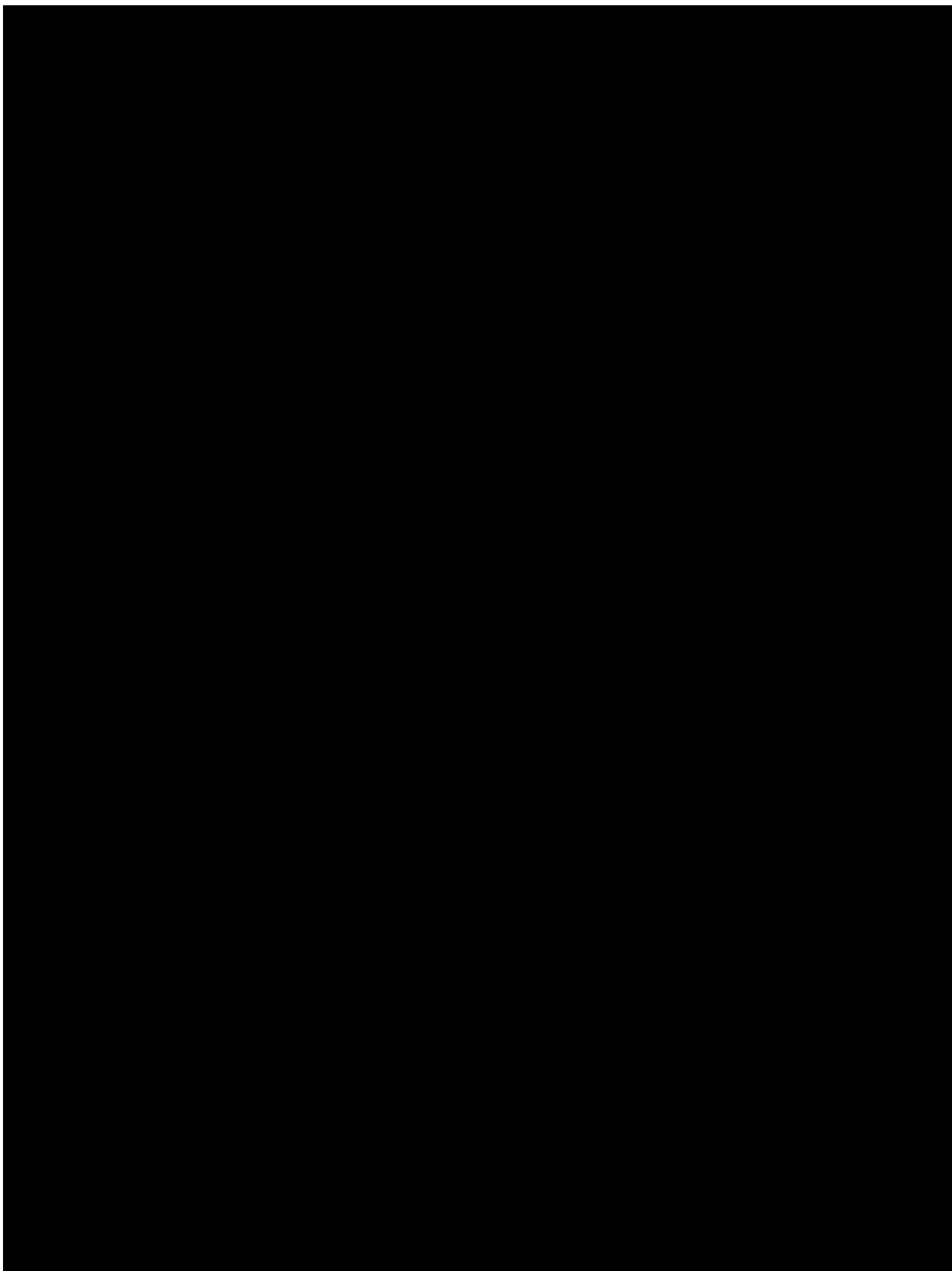


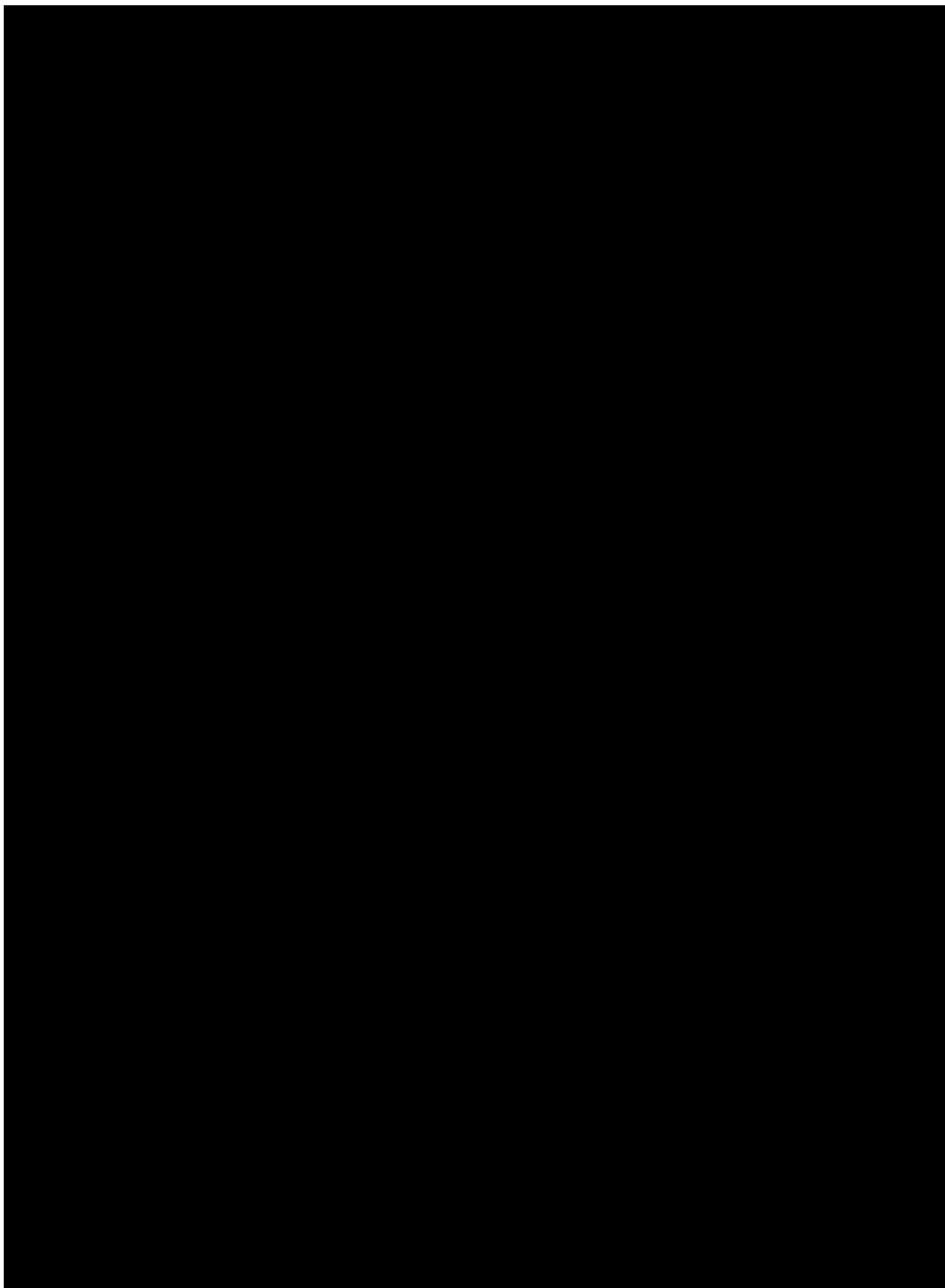


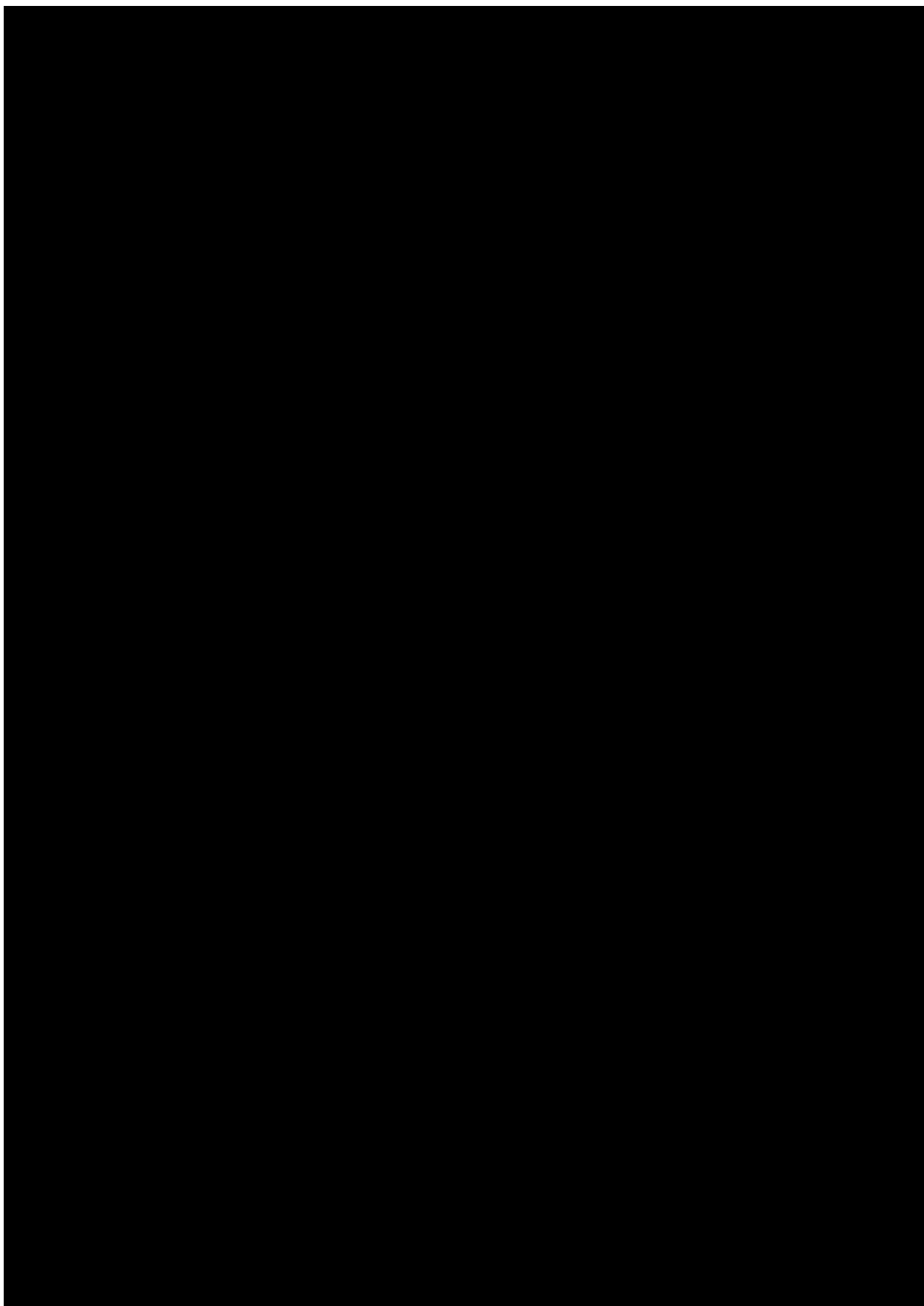


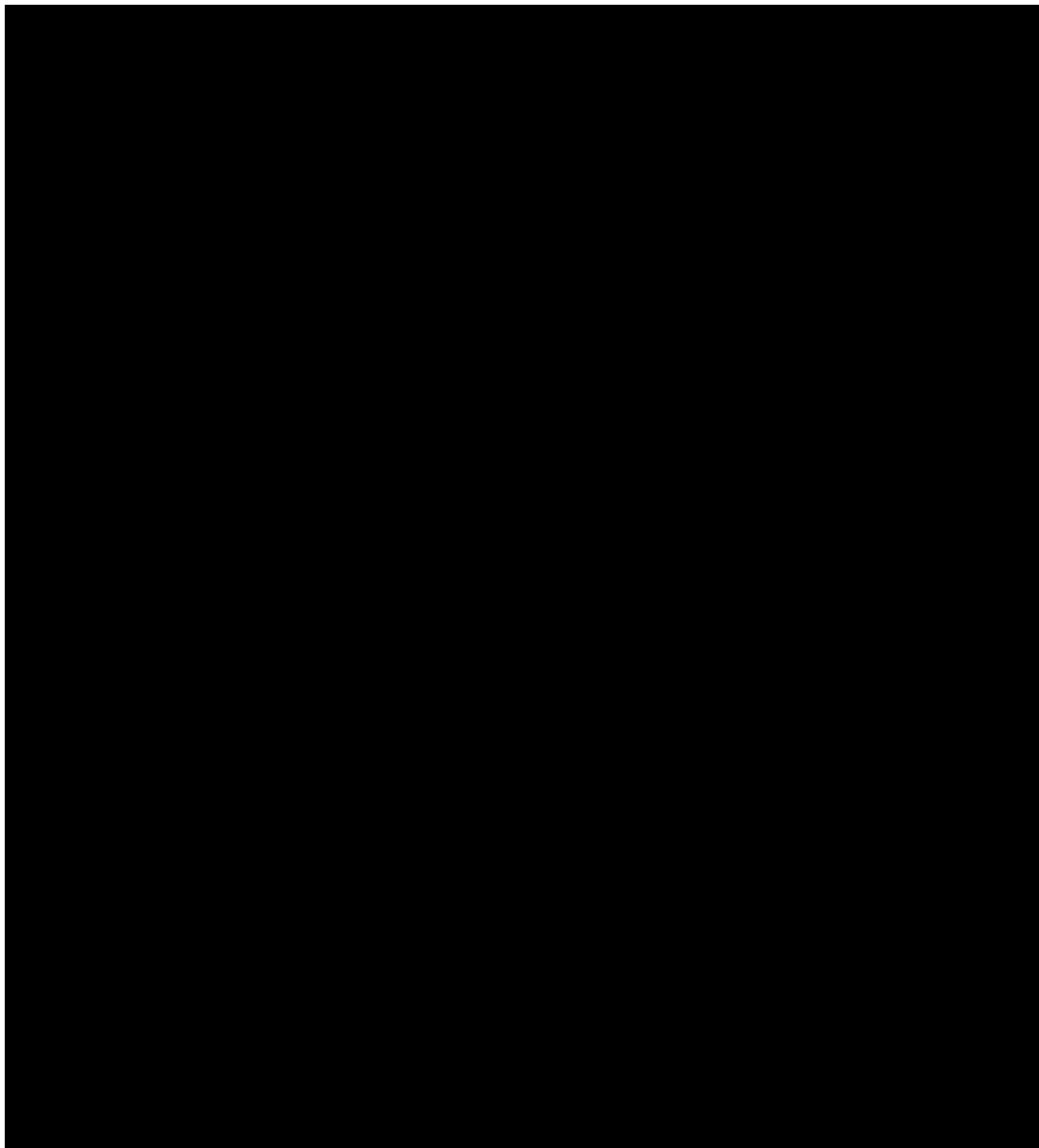


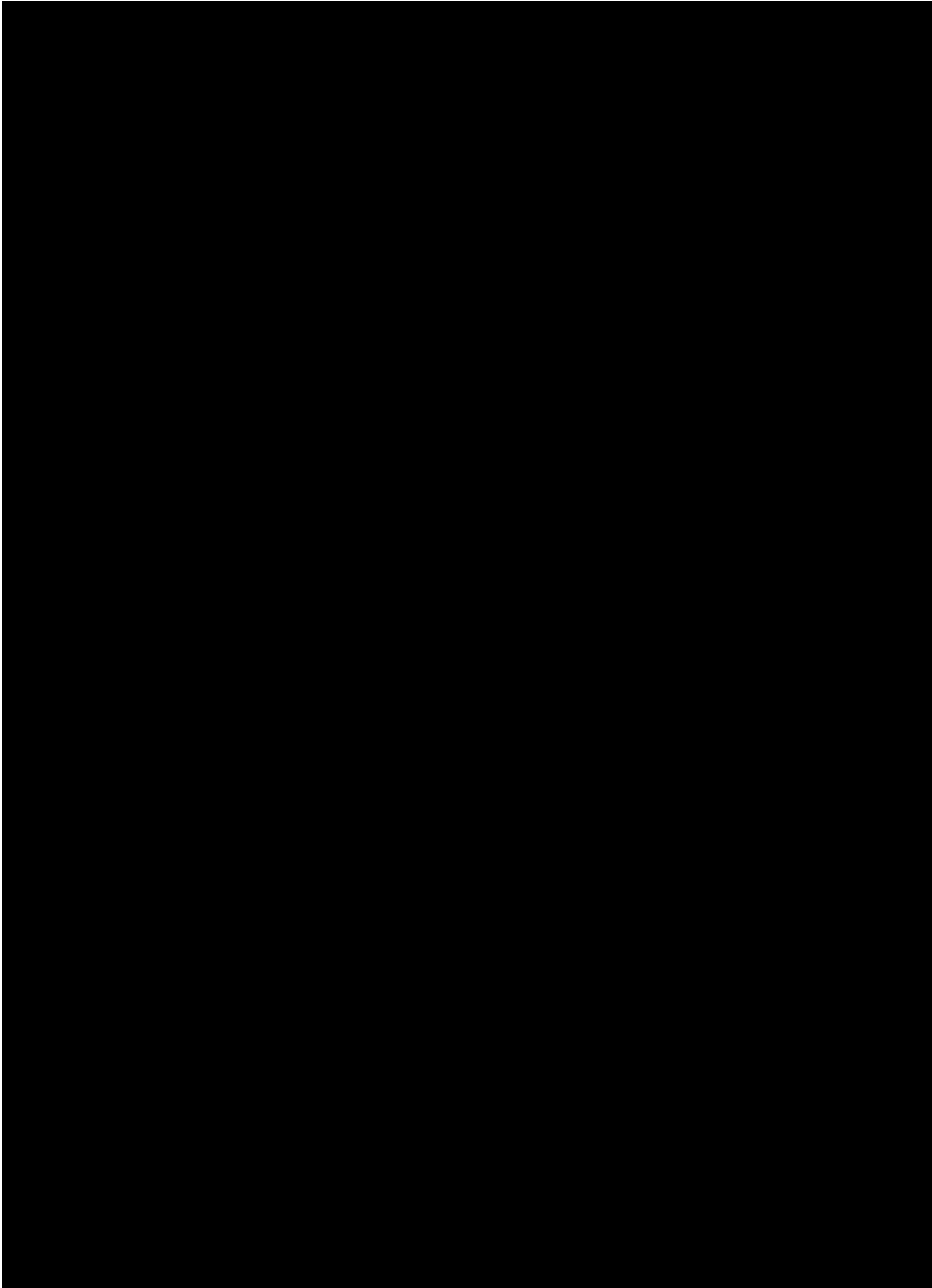




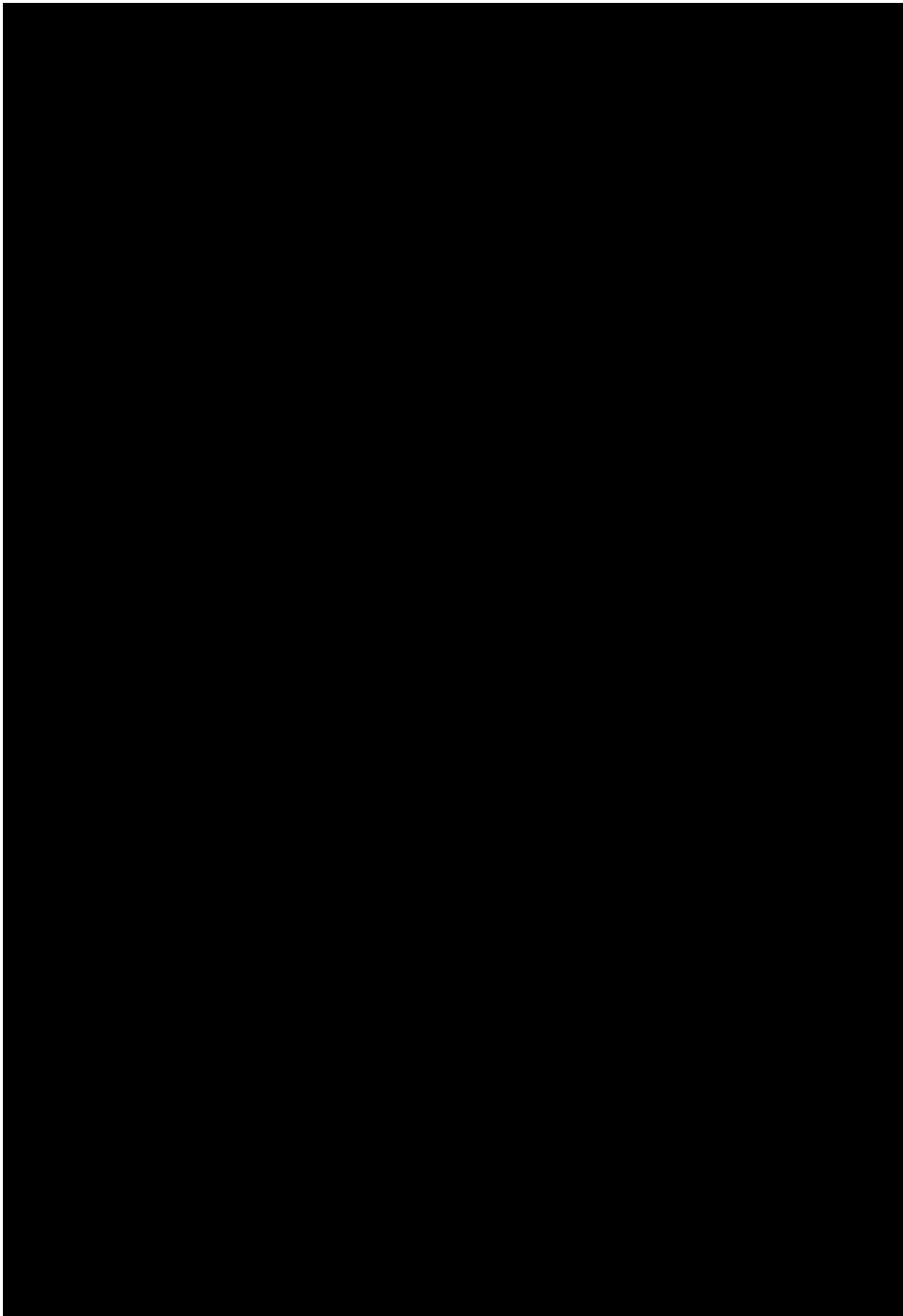


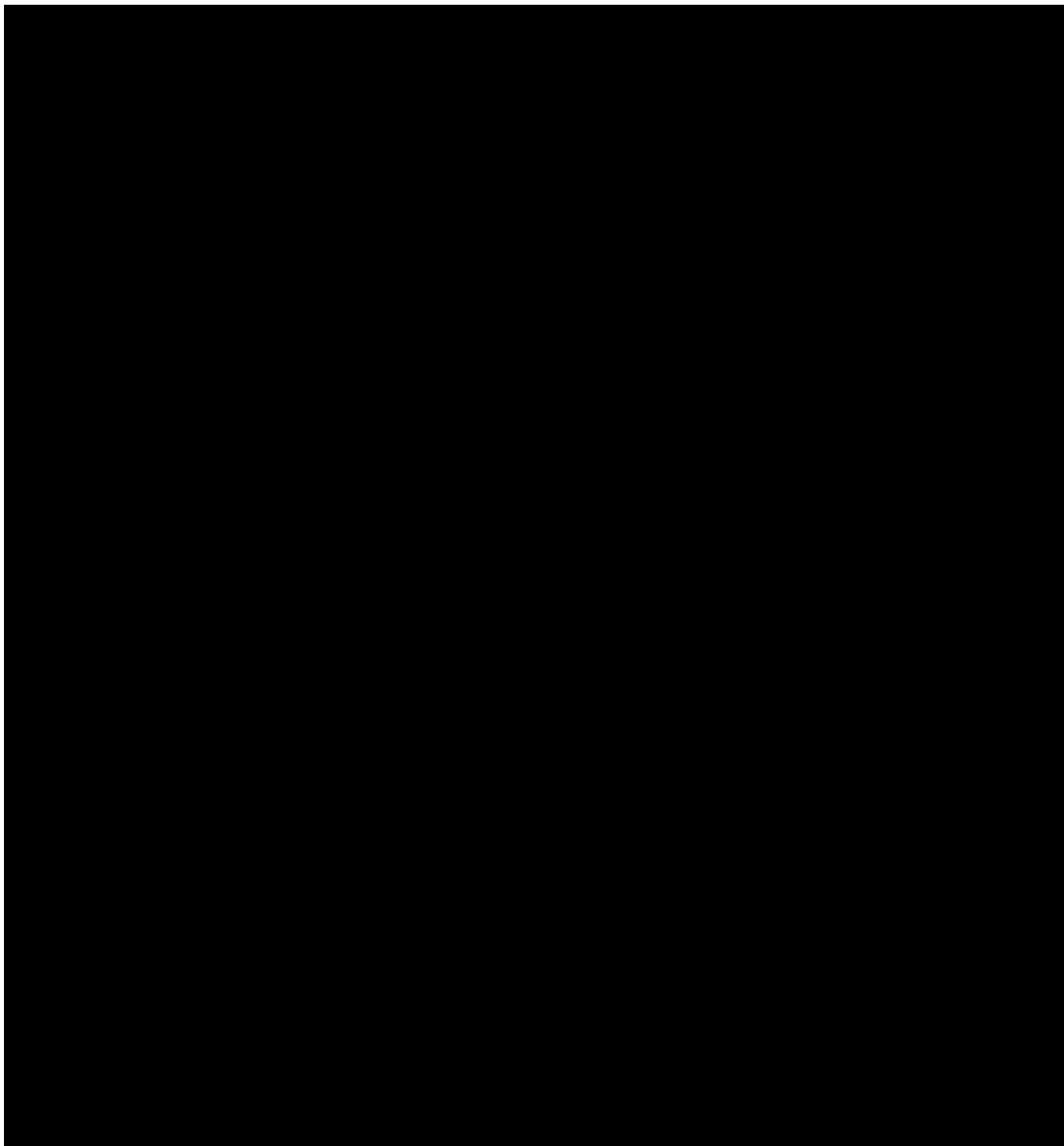


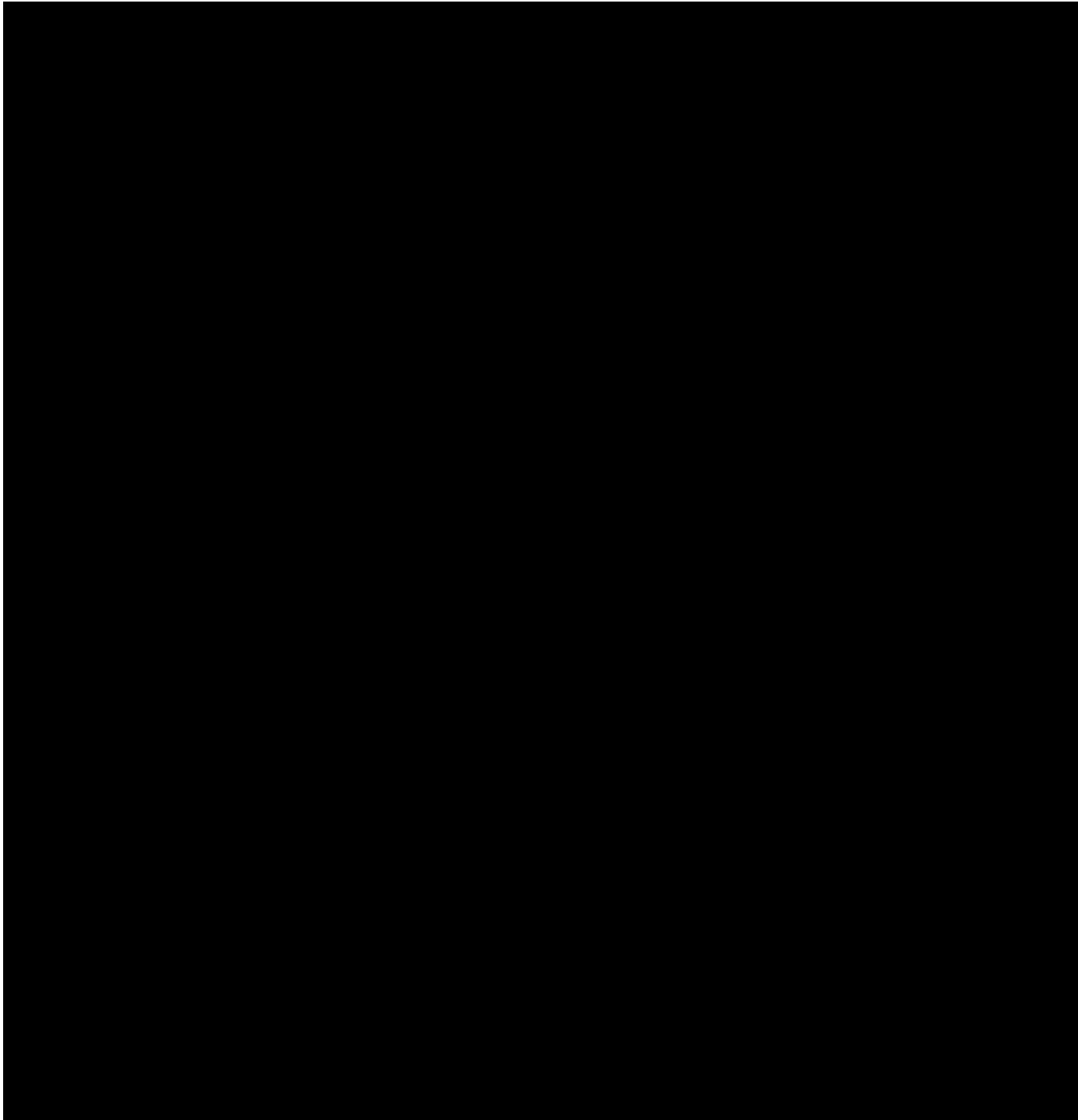


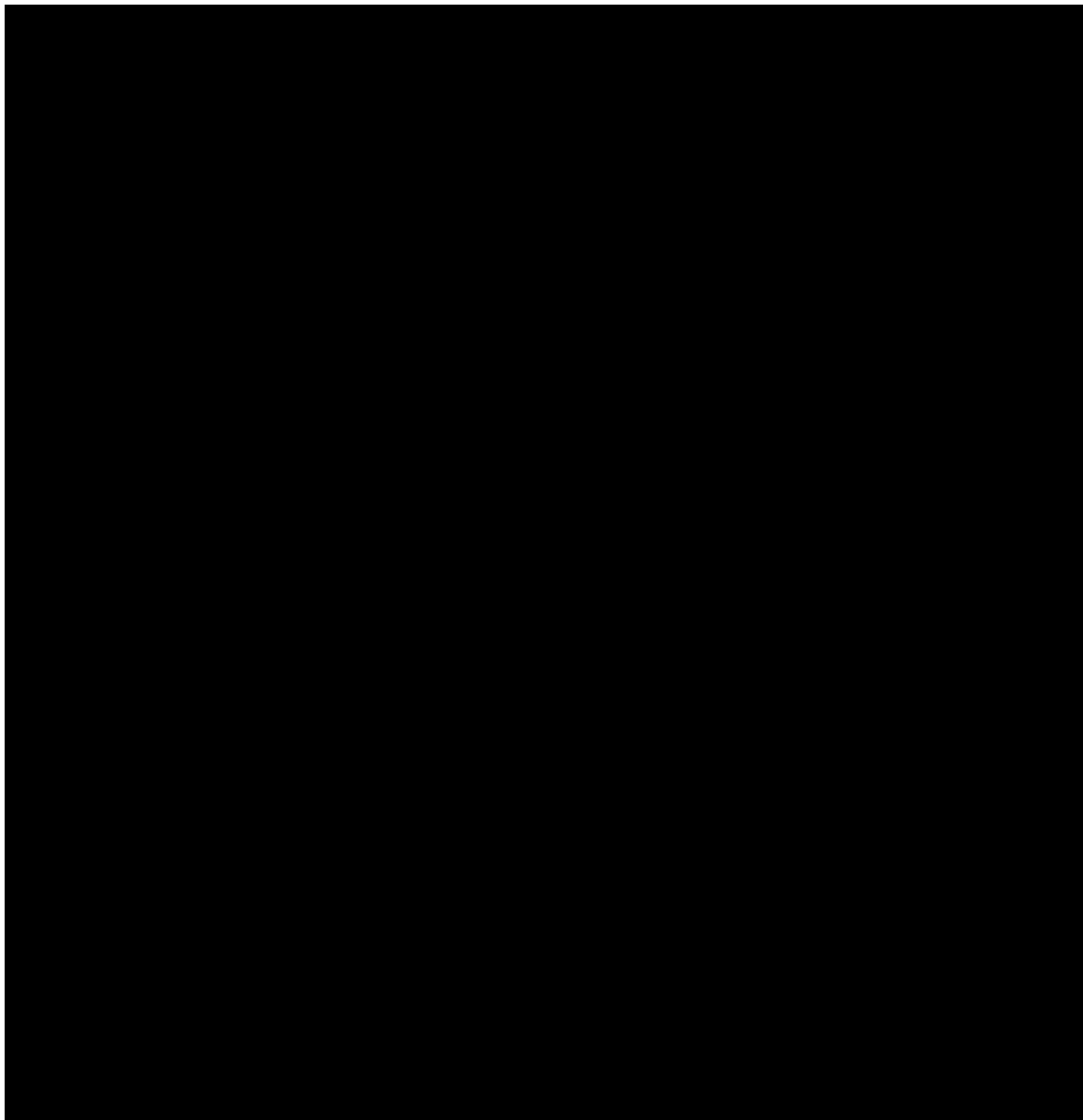






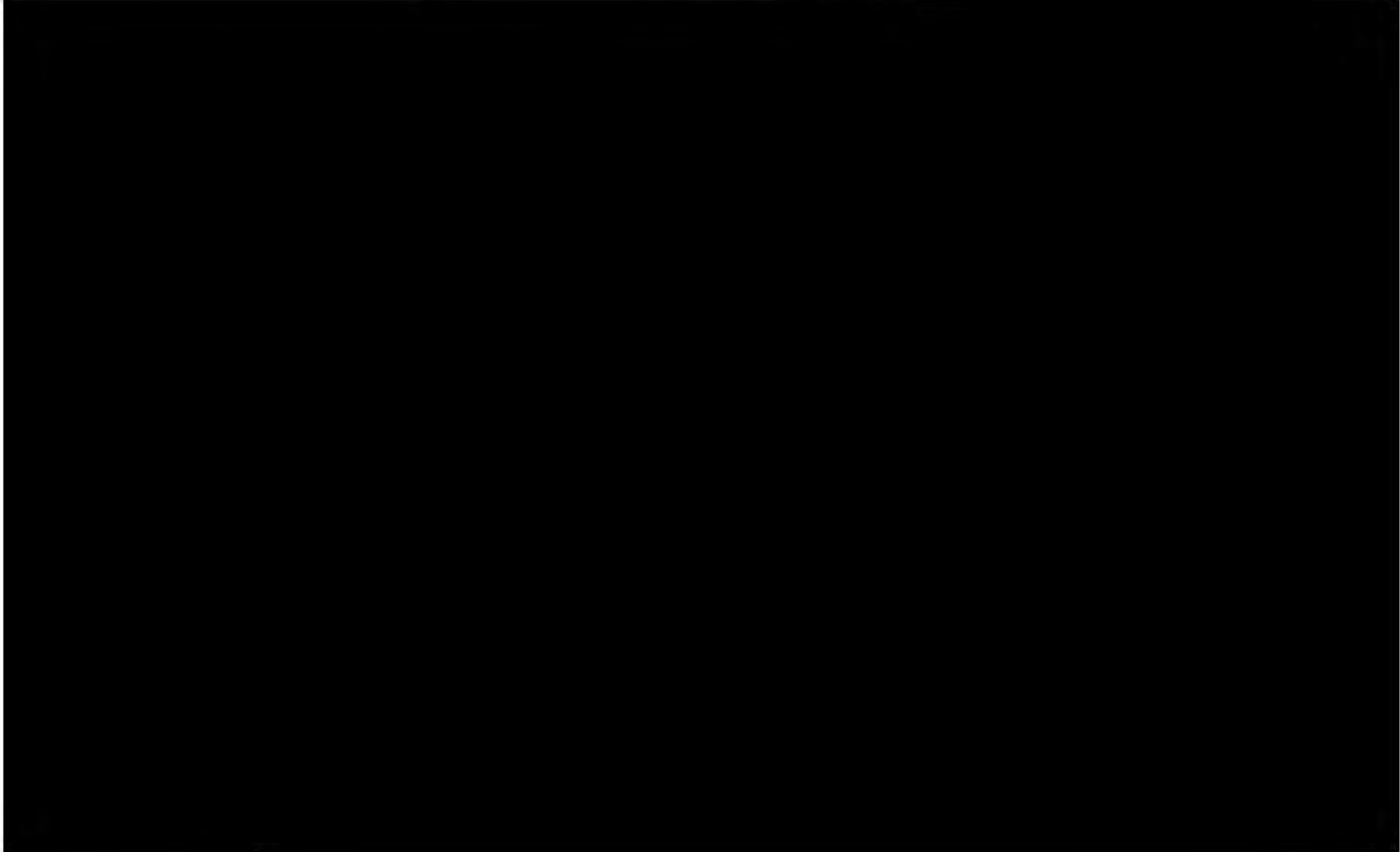


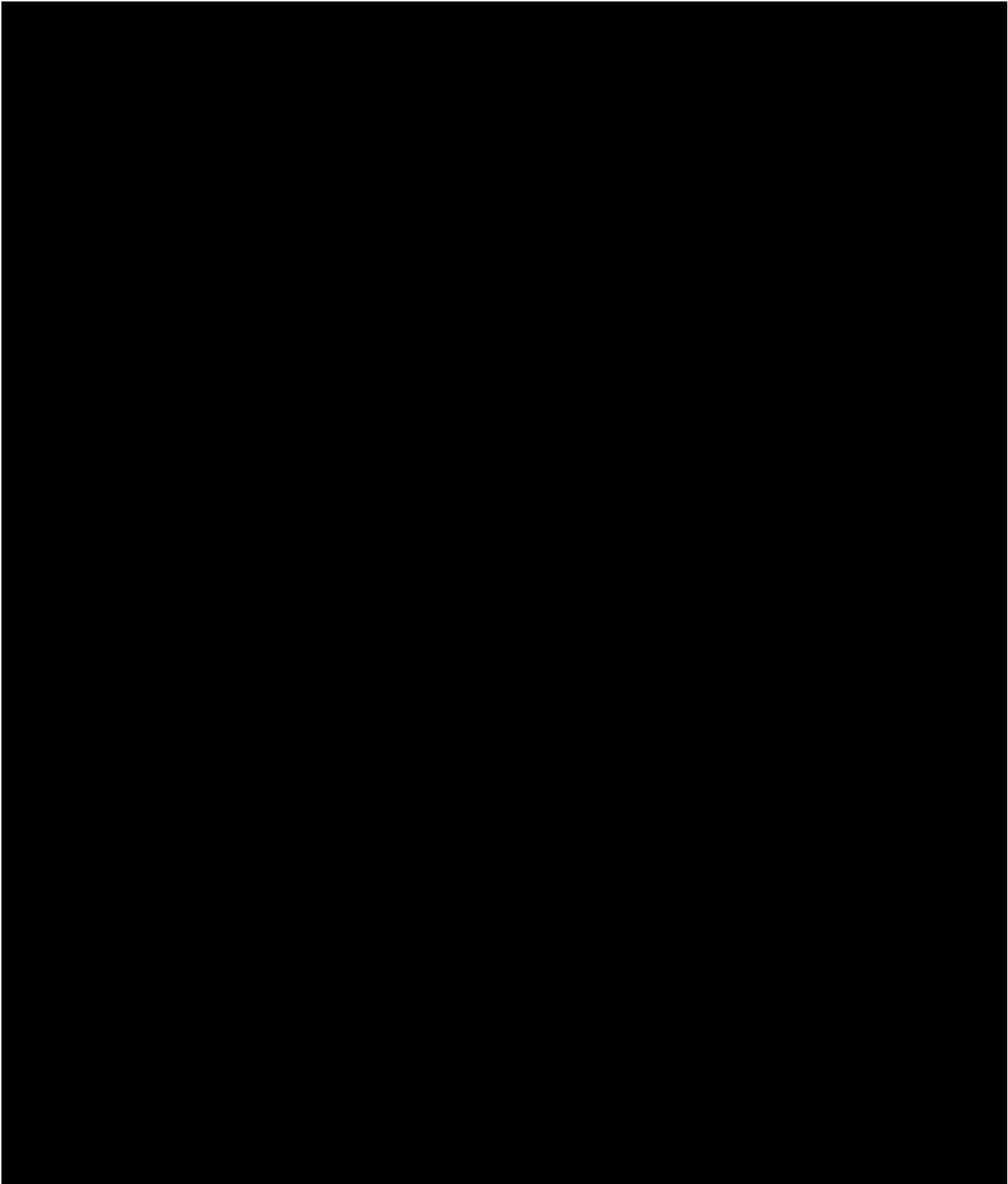


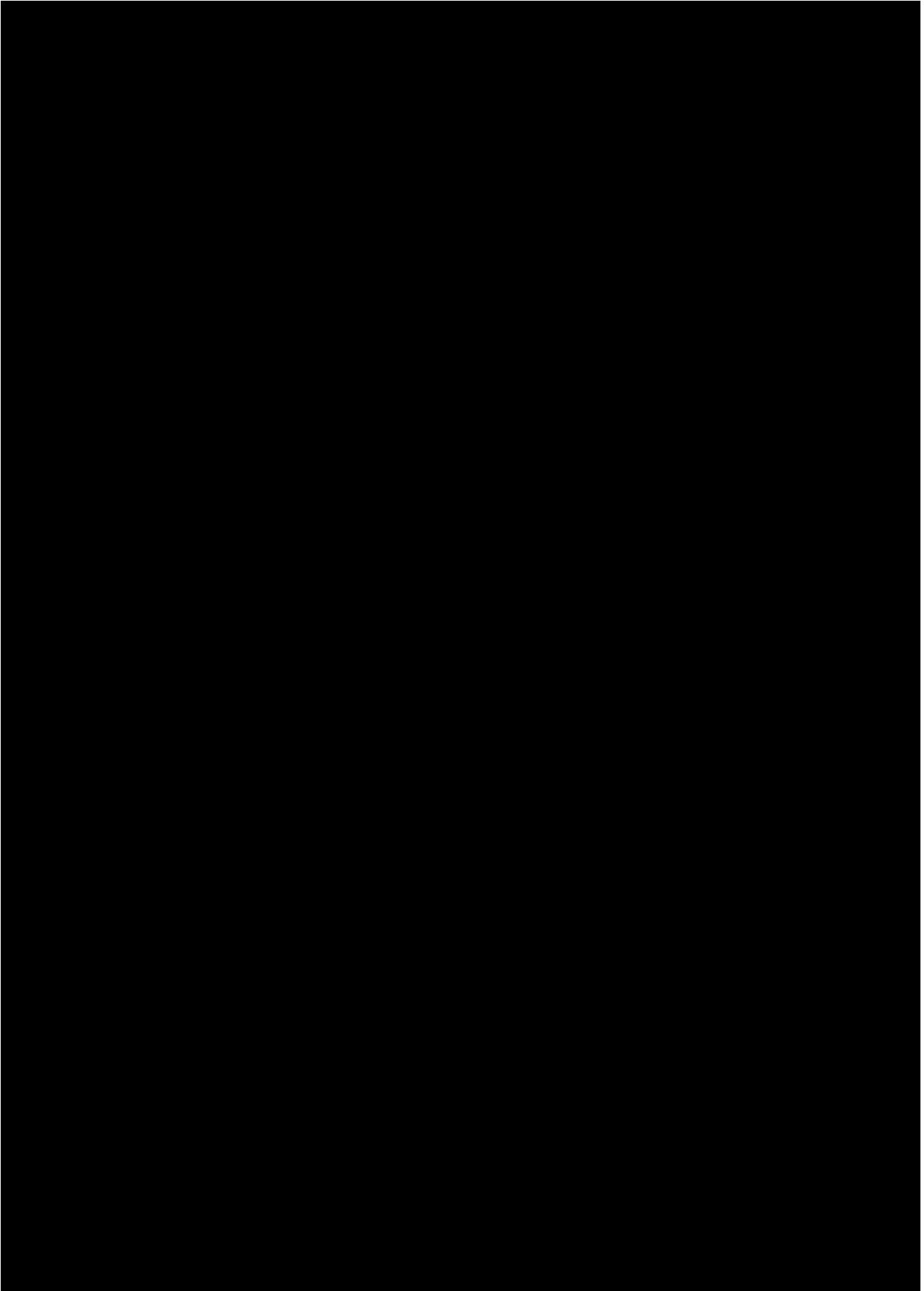


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## 1.9.8 Appendix A - Job descriptions

The following pages contain the job descriptions for the following roles:

- a) \* Managing Director / Chief Executive
- b) \* Operations Manager / Director (referred to in our response as Director, Service Delivery, who is also accountable as the person responsible for Company response in the event of accidents)
- c) \* Finance Director (referred to in our response as Director, Finance, IS, Risk and Legal)
- d) \* Technical Manager / Director (referred to in our response as Asset Management Director)
- e) \* Environmental Manager
- f) \* Quality Manager / Director (referred to in our response as Head of HSEQ)
- g) \* Health and Safety Manager / Director (referred to in our response as Head of HSEQ)
- h) The Designated Person Ashore (referred to in our response as Head of Regional Service Delivery)
- i) \* HR Manager / Director (referred to in our response as Director, Human Resources)
- j) \* Marketing Manager (referred to in our response as Director, Customer, Sales and Marketing)
- k) Any person responsible for Company response in the event of accidents, etc., if not listed above
- l) Transport Integration Manager
- m) \* Stakeholder Engagement Manager (referred to in our response as Director, of Community and Stakeholder Engagement)

\* Board member or senior direct report to Board

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## a) \* Managing Director / Chief Executive

<b>Role Title: Managing Director</b>	
Reports to: DML Chairman / Board	
Directorate: Executive	
Location: Gourock	
<b>Role Purpose</b>	
To direct and control CFL's operations, leading to the successful delivery of the Contract, driving a culture of high-performance and continuous improvement throughout CFL, and leading a highly-motivated workforce	
<b>Key Outputs</b>	
CHFS strategy and plan	
Effective leadership of all managers and staff	
Commercial performance and contract compliance	
<b>Key Accountabilities</b>	
Direction and control	Direction and control of the work and resources of CFL, ensuring the recruitment and retention of the required numbers and types of well-motivated, trained and developed staff to ensure that it achieves its mission and objectives
Planning and performance management	Preparation of the corporate plan and annual business plan and monitoring progress against these plans to ensure that CFL attains its objectives as cost-effectively and efficiently as possible Preparation and monitoring of the annual budget to ensure that budget targets are met, that revenue flows are maximised and that fixed costs are minimised Oversight of the preparation of the Annual Report and Accounts of the Company and ensure their approval by the Board.
Strategic advice and direction	Provision of strategic advice and guidance to the Board and Executive, to keep them aware of developments within the industry and to ensure that the appropriate policies are developed to meet CFL's mission and objectives and to comply with all relevant statutory and other regulations
Stakeholder engagement	Establishment and maintenance of effective formal and informal links with major customers, relevant government departments and agencies, local authorities, key decision-makers and other stakeholders generally, to exchange information and views and to ensure that CFL is providing the appropriate range and quality of services Development and maintenance of an effective marketing and public relations strategy to promote the products, services and image of CFL in the wider community Representation of CFL in negotiations with customers, suppliers, government departments and other key contacts to secure the most effective contract terms for the Company.
Research and development	Development and maintenance of research and development programmes to ensure that CFL remains at the forefront in the industry, applies the most cost-effective methods and approaches, provides leading-edge products and services and retains its competitive edge
<b>KPIs</b>	
» Delivery against Service Delivery plan	
» Customer satisfaction	
» Delivery of P&L to budget	

**Role Title: Managing Director**

- » Stakeholder relationships

**Critical Interfaces**

Key customers	Transport Scotland All passengers and potential passengers
Key suppliers	
Other critical interfaces	Media Industry bodies

**Critical capabilities**

- » Strategic vision
- » A proven record of success in senior level general or commercial management
- » Senior level experience of management of people and resources
- » Graduate level of intellect preferably with a higher degree in a management discipline or a professional qualification
- » A wide knowledge of the industry
- » An understanding of financial management and wider management principles and techniques
- » Political and presentational skills with an appreciation of the demands of conflicting interests and of meeting statutory requirements
- » A very high level of commercial awareness
- » Leadership skills
- » Excellent communication skills
- » Excellent organisational skills
- » Excellent analytical and problem-solving skills

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work co-operatively and supportively with colleagues, developing positive, open working relationships
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Experience of running a publicly operated or owned organisation
- » Board-level experience in critical service delivery organisations
- » Proven track record of delivery of a transport business in a franchise environment

**Qualifications**

- » Graduate calibre with proven track record of personal and professional development.

b) \* Operations Manager / Director (referred to in our response as Director, Service Delivery, who is also accountable as the person responsible for Company response in the event of accidents)

**Role Title: Director, Service Delivery**

Reports to: Managing Director

Directorate: Executive / Service Delivery

Location: Gourock

**Role Purpose**

To deliver all operational and technical requirements - fleet and shore-side – against the Contract and the CHFS customer, commercial and community strategies.

**Key Outputs**

- » Service delivery strategy and plan
- » A reliable and punctual service against timetable
- » Port and harbour services
- » Vessel utilisation against plan, timetable and budget

**Key Accountabilities**

Service delivery planning	<ul style="list-style-type: none"> <li>» Creation and management of Service Delivery Plan, including deployment and resourcing</li> <li>» Timetable planning and management</li> <li>» Disruption, crisis and contingency planning and management, including redeployment of vessels</li> <li>» Monitoring and reporting of service delivery quality standards and performance</li> <li>» Retail and catering planning</li> <li>» Fuel and energy management</li> <li>» Procurement and management of consumables</li> <li>» Delivery of crew resourcing plan</li> <li>» Input to vessel specification and negotiation</li> </ul>
Marine centre of expertise	<ul style="list-style-type: none"> <li>» Marine standards and compliance</li> <li>» Specialist technical advice and support</li> <li>» Development, management and monitoring of marine processes, ways-of-working and standard operating procedures</li> <li>» Fleet documentation and drawings</li> </ul>
Regional service delivery	<ul style="list-style-type: none"> <li>» Shore-side customer services</li> <li>» On-board customer services</li> <li>» Vessel operations</li> <li>» Marine engineering and technical services</li> <li>» Shore-side operations</li> <li>» Port and harbour operations</li> </ul>
Technical centre of expertise	<ul style="list-style-type: none"> <li>» Engineering standards and compliance</li> <li>» Specialist technical advice and support</li> <li>» Development, management and monitoring of technical processes, ways-of-working and standard operating procedures</li> </ul>
Harbours (dotted line report)	<ul style="list-style-type: none"> <li>» Setting and management of harbour operations policies and processes</li> <li>» Monitoring and management of policies and processes for harbour operations and risk management</li> <li>» Liaison with CMAL and 3<sup>rd</sup> party harbour operators</li> </ul>
Transport integration	<ul style="list-style-type: none"> <li>» Definition of Smart and integrated travel policies, principles and standards</li> </ul>

**Role Title: Director, Service Delivery**

- » Setting of online booking and ticketing requirements for integrated, Smart and integrated travel
- » Setting of ticket distribution policies and frameworks for integrated travel.
- » Negotiation and agreement of commercial and reciprocal arrangements with all integrated travel partners
- » Management of ongoing relationships with integrated travel partners
- » Management of all technical and IS suppliers of integrated travel
- » Contact point for integrated travel stakeholders e.g. Transport Scotland, communities, transport bodies

**KPIs**

- » Delivery against Service Delivery Plan
- » Vessel utilisation
- » Service reliability and punctuality
- » Cancellations and delays
- » Fleet costs
- » Customer satisfaction
- » Accidents and incidents
- » Time to respond to disruption
- » Revenue and profitability per passenger
- » Harbour revenues
- » Fuel and energy consumption and improvements

**Critical Interfaces**

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» All passengers and potential passengers</li> <li>» Community representatives and other senior stakeholders</li> <li>» CHFS Executive</li> </ul> |
| Key suppliers             | <ul style="list-style-type: none"> <li>» Director, Customer, Sales and Marketing</li> </ul>  |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Director, Finance, IS, Risk and Legal</li> <li>» Head of HSQE</li> <li>» Director, IS</li> <li>» Director, HR</li> </ul>                        |

**Critical capabilities**

- » Strategic vision
- » Board-level leadership and influencing skills
- » Passenger transport, including integrated, green and active
- » Vessel specifications and requirements
- » Knowledge of vessels, ports and facilities
- » Knowledge of conditions affecting operations - seasonal weather, events calendar, demographics, business landscape
- » Fuel and energy development and best practice
- » Marine regulations, law and quality standards
- » Deep expertise in all areas of marine operations - technical, processes and crewing
- » Certification at all required levels
- » Deep expertise in all areas of port and harbour operations
- » P&L management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work co-operatively and supportively with colleagues, developing positive, open working relationships

**Role Title: Director, Service Delivery**

- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Experience of running operations within a ferry company
- » Executive level experience and proven ability to contribute to business strategy
- » Leadership of large teams, geographically diverse
- » Understanding of the regulatory framework for the maritime industry

**Qualifications**

- » Relevant industry and safety qualifications
- » A proven track record of personal and professional development
- » Further education such as a Masters degree

Outline Draft  
to be completed during M...

c) \* Finance Director (referred to in our response as Director, Finance, IS, Risk and Legal)

**Role Title: Director, Finance, IS, Risk and Legal**

Reports to: Managing Director

Directorate: Executive / Finance, IS Risk and Legal

Location: Gourock

**Role Purpose**

To manage Contract delivery, finance and risk activities, in line with DML policies and frameworks, and the specific requirements of CHFS and to provide information services and systems that enable effective and efficient delivery of the Contract.

**Key Outputs**

- » Client contract management
- » Finance, risk and legal strategy and plan
- » Statutory and management accounting
- » Finance operations
- » Procurement
- » Risk management
- » Business support
- » Performance management
- » Programme and project management
- » Facilities and office services
- » Information services and systems
- » Telecoms and networking services
- » Information management and security

**Key Accountabilities**

- |                            |   |
|----------------------------|---|
| Client contract management | <ul style="list-style-type: none"> <li>» Client management and contact with TS</li> <li>» Contract management, including variations</li> <li>» Management of other contracts and commercial relationships associated with delivery of CHFS</li> <li>» Vessel specification, in conjunction with Customer, Sales and Marketing (to ensure customer requirements are met) and Service Delivery Planning (to ensure service operability)</li> <li>» Leasing and chartering with CMAL and other providers</li> </ul>  |
| Group finance              | <ul style="list-style-type: none"> <li>» Statutory accounting</li> <li>» Treasury and tax</li> <li>» Management accounting and reporting</li> <li>» Preparation of Contract plans, budgets and forecasts</li> <li>» Support to management in identifying and selecting suppliers using best industry practice</li> <li>» Leadership of supplier negotiations</li> <li>» Management of live contracts</li> <li>» Management of equipment licences</li> <li>» Corporate risk management</li> <li>» Preparation of risk and opportunity analyses, including quantum and probability</li> <li>» Coordination of mitigation plans</li> <li>» Internal control and audit (management of outsource partner)</li> <li>» Revenue protection</li> </ul> |

**Role Title: Director, Finance, IS, Risk and Legal**

	<ul style="list-style-type: none"> <li>» Finance operations</li> <li>» Payment of suppliers in accordance with terms</li> <li>» Customer billing and collections to contract terms</li> <li>» Sourcing and management of DML Group insurance broker</li> <li>» Negotiate portfolio of policies, balancing risk and cost</li> <li>» Management of insurance claims</li> <li>» Property and facilities management</li> <li>» Repairs and maintenance</li> <li>» Office services</li> </ul>
Business planning	<ul style="list-style-type: none"> <li>» Business planning and management</li> <li>» Performance monitoring, management and reporting</li> <li>» Business intelligence, analytics and reporting</li> <li>» Preparation of investment appraisals and back checks</li> <li>» Management of the governance framework</li> <li>» Business continuity management and disaster recovery</li> </ul>
Projects and change	<ul style="list-style-type: none"> <li>» CHFS set-up and mobilisation (years 1-2, team could be based in Service Delivery)</li> <li>» Programme and project management (years 2-5)</li> <li>» Programme Management Office</li> <li>» Project partner management</li> <li>» Change management</li> <li>» CHFS3 bid or hand-back (years 5-8)</li> </ul>
Service management	<ul style="list-style-type: none"> <li>» Service strategy and design</li> <li>» Service specification</li> <li>» Business systems</li> <li>» Telecoms</li> <li>» Networking and access across all channels and locations</li> <li>» Customer and ticketing systems across all channels</li> <li>» CRM systems (Analytical and Operational)</li> <li>» Digital</li> <li>» Operations and performance management</li> </ul>
IS project management	<ul style="list-style-type: none"> <li>» IS project management</li> <li>» Primary interface with the business in planning and delivering projects</li> </ul>
Enterprise architecture	<ul style="list-style-type: none"> <li>» Enterprise Architecture</li> <li>» Management of relationships with and performance of all partners and suppliers associated with enterprise architecture</li> </ul>
Security and compliance	<ul style="list-style-type: none"> <li>» Security and compliance - data protection, cyber security, PCIDSS</li> <li>» Vessel, port and harbour - system and information security and compliance</li> <li>» Management of relationships with and performance of all partners and suppliers associated with security and compliance</li> </ul>
Information management	<ul style="list-style-type: none"> <li>» Data management and control</li> <li>» Customer information management</li> </ul>

**KPIs**

- » Client satisfaction
- » Data and management information accuracy and relevance
- » Adherence to business planning process
- » Adherence to all governance frameworks



**Role Title: Director, Finance, IS, Risk and Legal**

- » Commercial return on contract variations
- » Time to realise business benefits associated with projects
- » Opex: revenue ratio
- » Gross margin
- » Current ratio
- » Depreciation
- » Cashflow
- » Return on Capital Employed
- » Debt to Equity
- » Budget variance
- » Return on investment against plan
- » Cost of claims
- » Property, facilities and office services costs
- » New service delivery to time, budget and specification
- » Service availability
- » Number of service interruptions - planned and unplanned
- » Customer satisfaction
- » Internal customer satisfaction
- » Alignment between Business and IS strategies, plans and projects
- » Speed of business decision-making
- » Data security
- » Information and data completeness, accuracy and availability

**Critical Interfaces**

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» Transport Scotland and CMAL</li> <li>» CHFS Exec</li> </ul>   |
| Key suppliers             | <ul style="list-style-type: none"> <li>» External specialist consultancies, suppliers and contractors</li> <li>» All customers and debtors</li> <li>» Systems suppliers and integrators</li> </ul> |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Director, Customer, Sales and Marketing</li> <li>» Director, Service Delivery</li> <li>» Head of HSQE</li> <li>» Director, HR</li> </ul>                  |

**Critical capabilities**

- » Strategic vision
- » Board-level leadership and influencing skills
- » Passenger transport
- » Contract expertise
- » Deep understanding of CHFS
- » Commercial management
- » Business planning, monitoring and reporting
- » Programme management
- » Change management
- » Supplier and partner management
- » Chartered qualification
- » Accounting and budgeting
- » Financial relationship management
- » Tax frameworks and rules
- » Financial compliance and regulations

**Role Title: Director, Finance, IS, Risk and Legal**

- » Service design and delivery experience
- » Service management experience
- » Telecoms management experience
- » Experience of managed IS
- » Knowledge of enterprise architecture, security and compliance, and information management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Board level / executive management experience
- » Proven track record of leading business planning and financial forecasting
- » Experience of leading and directing wider business functions outside of finance.

**Qualifications**

- » Qualified Accountant
- » Proven track record of personal and professional development

to be completed

d) \* Technical Manager / Director (referred to in our response as Asset Management Director)

#### Role title: Asset Management Director

Reports to: Managing Director

Directorate: Executive / Asset Management

Location: Gourock

#### Role Purpose

To define the CHFS asset management strategy and deliver the CHFS asset maintenance plan, including technical and engineering support - fleet and shore-side – to ensure successful performance of all assets against the Service Delivery plan.

#### Key Outputs

- » Asset management strategy and maintenance plan
- » Technical and engineering standards and compliance
- » Successful delivery of all technical and engineering projects across the fleet
- » A reliable and punctual service against timetable
- » Vessel utilisation against plan, timetable and budget
- » Deployment of system for Asset Management and maintenance management

#### Key Accountabilities

- |                                  |  |
|----------------------------------|--|
| Asset management                 | <ul style="list-style-type: none"> <li>» Management of the Asset Management Committee, planning, procuring and delivering technical and engineering projects across the fleet to maximise effectiveness of projects, minimise disruption, and manage cost</li> </ul>   |
| Project delivery                 | <ul style="list-style-type: none"> <li>» Planning, budgeting, procurement, and management of the delivery of technical and engineering projects across the fleet (technical projects include repairs, maintenance, modifications and refurbishment - on water and in dry-dock)</li> <li>» Specification of work to be carried out, suppliers and facilities (e.g. yards)</li> <li>» Commercial management of asset management projects</li> <li>» Negotiation with suppliers and partners in technical and engineering projects</li> <li>» Commercial account management with suppliers and partners</li> <li>» Sponsor of new Asset Management and Maintenance system including business process and change.</li> </ul> |
| Service delivery planning        | <ul style="list-style-type: none"> <li>» Input to the service delivery plan</li> <li>» Disruption, crisis and contingency management</li> <li>» Input to vessel specification and negotiation</li> </ul>   |
| Technical standards              | <ul style="list-style-type: none"> <li>» Technical and engineering standards and compliance</li> <li>» Specialist technical advice and support - escalation point for technical and complex technical issues</li> <li>» Development, management and monitoring of technical processes, ways-of-working and standard operating procedures</li> </ul>  |
| Technical community of expertise | <ul style="list-style-type: none"> <li>» Management of the <i>Technical Community of Expertise</i> (virtual team of Engineering and Technical Managers and Chief Engineers)</li> <li>» Participation in line management of Chief Engineers for performance management, technical and complex issues around disciplinarys and grievances</li> </ul>   |

#### KPIs

- » Delivery of technical projects to time, quality and budget
- » Vessel utilisation
- » Service reliability and punctuality

- » % technical cancellations and delays
- » Fleet costs
- » Time to respond to disruption
- » Fuel and energy consumption and improvements
- » Compliance against standards
- » Speed of resolution of technical issues
- » Maintenance and repair costs
- » Time to repair vessels (unplanned)
- » Asset Management system availability

#### Critical Interfaces

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» Regional Heads of Service Delivery</li> <li>» Vessel Operations Managers</li> <li>» Masters and Skippers</li> <li>» CHFS and DML Execs</li> </ul> |
| Key suppliers             | <ul style="list-style-type: none"> <li>» External bodies and specialist consultancies</li> <li>» System and service suppliers</li> </ul>   |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Head of Marine</li> <li>» Chief Engineers</li> <li>» Head of Service Delivery Planning</li> <li>» Head of IS</li> </ul>                           |

#### Critical capabilities

- » Vessel specifications and requirements
- » Knowledge of vessels, ports and facilities
- » Knowledge of conditions affecting operations - seasonal weather, events calendar, demographics, business landscape
- » Fuel and energy development and best practice
- » Expertise in marine regulations, law and quality standards
- » Deep expertise in all areas of marine operations - technical, processes and crewing
- » Certification at all required levels
- » Senior level consulting skills
- » Programme and project management
- » Commercial skills, including negotiation

#### Competencies and behaviours

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

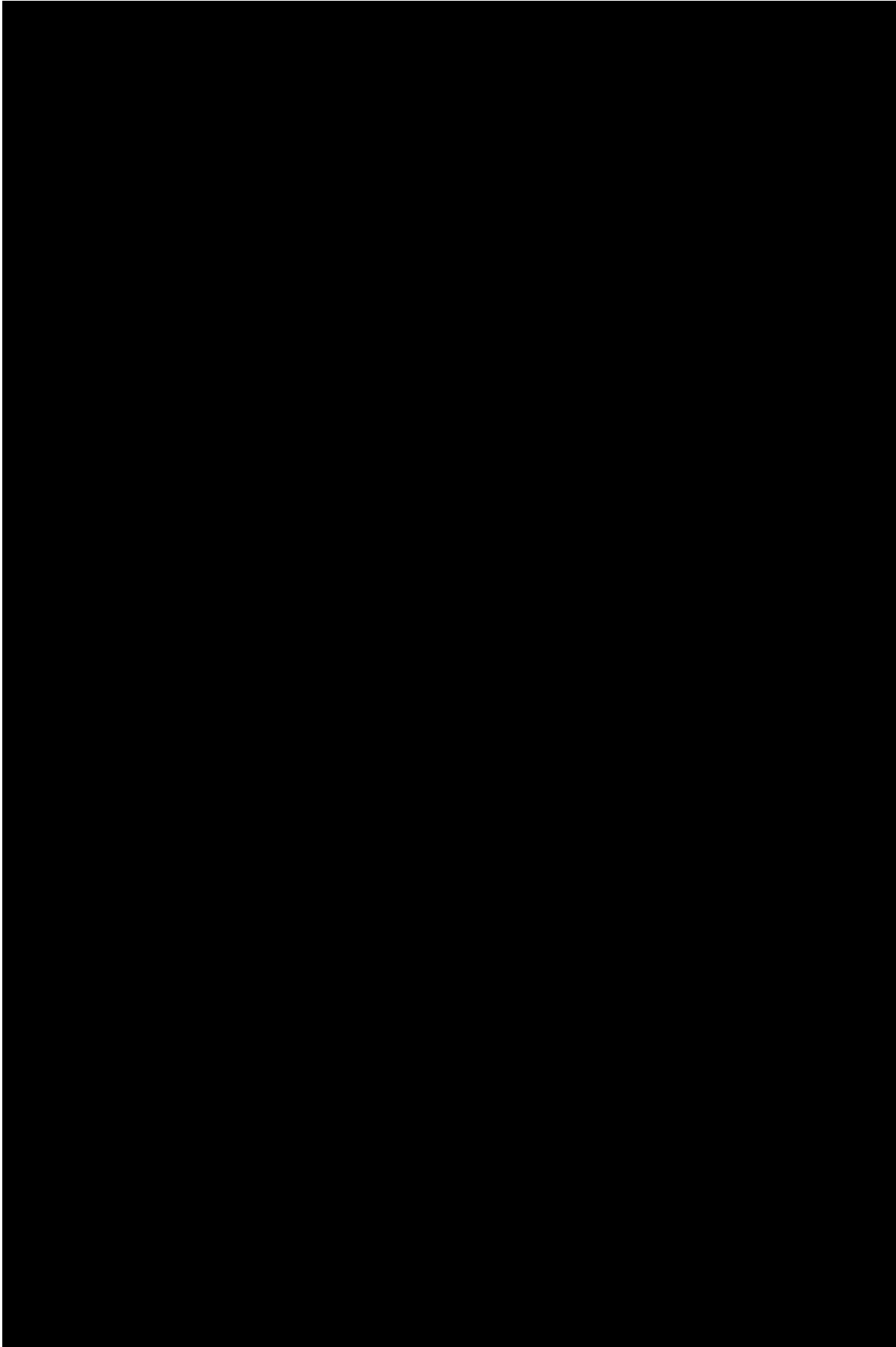
#### Experience

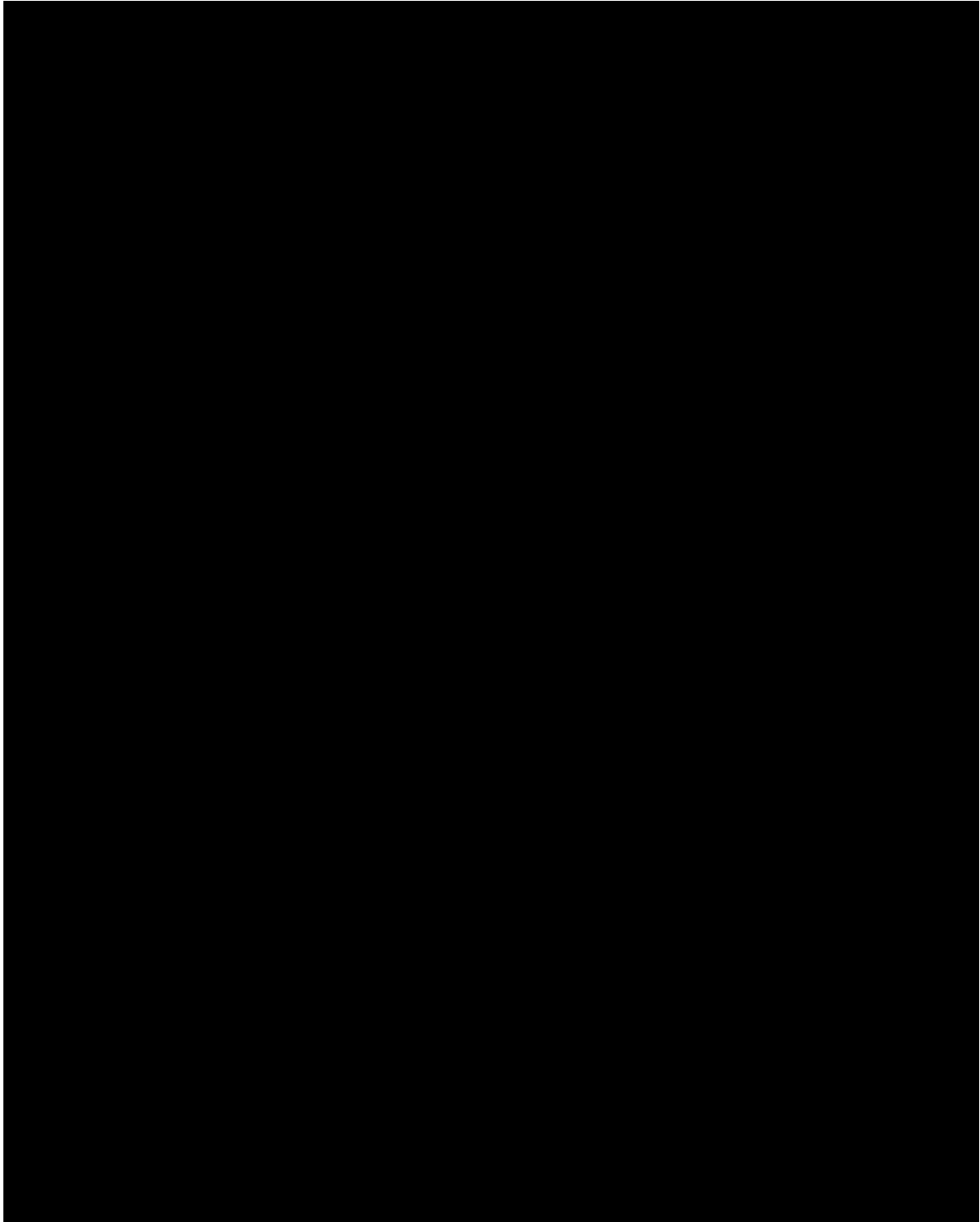
- » Relevant senior level asset management experience
- » Good commercial track record
- » Proven track record in managing change and transformation in a similar environment

» Qualifications

- » Qualified engineer
- » Proven track record of personal and professional development

Outline Draft  
to be completed during Mobilisation





**Role title: Head of Health, Safety, Quality and Environment**

Reports to: Managing Director

Directorate: Executive / HSQE

Location: Gourock

**Role Purpose**

To ensure CHFS operates to the highest standards of safety in everything it does, and to comply with all good-practice quality and environmental standards

**Key Outputs**

- » Safety, quality and environment strategy and plan
- » Delivery against the SQE Plan
- » 100% safety record

**Key Accountabilities**

- |                                  |   |
|----------------------------------|---|
| Fleet safety                     | <ul style="list-style-type: none"> <li>» Safety and security management - vessels</li> <li>» Vessel compliance</li> <li>» Management of relationships with and performance of all partners and suppliers associated with fleet safety</li> </ul>  |
| Network safety                   | <ul style="list-style-type: none"> <li>» Safety and security management – ports and harbours</li> <li>» Ports and harbours compliance</li> <li>» Corporate health and safety</li> <li>» [Marchwood – HSE Compliance Manager]</li> <li>» Management of relationships with and performance of all partners and suppliers associated with network safety</li> </ul>  |
| Compliance and company standards | <ul style="list-style-type: none"> <li>» Health and safety management, processes and reporting</li> <li>» Quality management and processes</li> <li>» Assurance of existing quality protocols (e.g. ISO) and emerging protocols (e.g. Transport Scotland Service Quality Regime)</li> <li>» Assurance of environmental quality and standards</li> <li>» Management of relationships with and performance of all partners and suppliers associated with quality</li> </ul> |

**KPIs**

- » Number of accidents and incidents
- » Number and severity of security incidents
- » Performance against ISM Code and PMSC
- » Performance against PSS standards
- » Performance against relevant ISO quality standards
- » Performance against environmental policy

**Critical Interfaces**

- |               |                  |
|---------------|------------------|
| Key customers | » CHFS Executive |
|---------------|------------------|



**Role title: Head of Health, Safety, Quality and Environment**

- » Director, Service Delivery
- » Regional Heads of Service Delivery
- Key suppliers
  - » All functional managers
  - » Local quality managers
- Other critical interfaces
  - » Network Operations Managers
  - » Port / Route / Cluster Managers
  - » Head of Harbours
  - » Vessel Operations Managers
  - » Masters and Skippers
  - » Director, Community and Stakeholder Engagement

**Critical capabilities**

- » Certification at all required levels
- » Deep expertise in all areas of marine safety - technical, processes and crewing
- » Deep expertise in all areas of network safety - technical, processes and staffing
- » Marine regulations, law and quality standards
- » Deep expertise in all areas of marine and shore-side quality and standards

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Track record of successful management of Health and Safety in a maritime organisation
- » Experience of implementing and auditing ISO 9001, 14001, ILO MLC 2006
- » Extensive knowledge of risk management and incident investigation

**Qualifications**

- » NEBOSH qualified
- » BSc in Maritime Operations
- » Relevant industry qualifications including Diploma for Harbour Master
- » Proven track record of personal and professional development

## 2. h) The Designated Person Ashore (referred to in our response as Head of Regional Service Delivery)

**Role Title: Head of Regional Service Delivery (Designated Person Ashore)**

Reports to: Director, Service Delivery

Directorate: Service Delivery

Location: TBD

**Role Purpose**

To deliver all operational and technical requirements for one region - fleet and shore-side – against the Contract and the CHFS customer, commercial and community strategies.

**Key Outputs**

- » Regional service delivery strategy and plan
- » A reliable and punctual service against timetable
- » Port and harbour services
- » Vessel utilisation against plan, timetable and budget

**Key Accountabilities**

- |                           |  |
|---------------------------|--|
| Service delivery planning | <ul style="list-style-type: none"> <li>» Input to service delivery plan, including deployment and resourcing</li> <li>» Disruption, crisis and contingency management</li> <li>» Monitoring and reporting of service delivery quality standards and performance</li> <li>» Retail and catering planning</li> <li>» Fuel and energy management</li> <li>» Procurement and management of consumables</li> <li>» Delivery of crew resourcing plan</li> <li>» Input to vessel specification and negotiation</li> </ul> |
| Marine standards          | <ul style="list-style-type: none"> <li>» Adherence to marine standards, processes, ways-of-working and standard operating procedures</li> </ul>  |
| Regional service delivery | <ul style="list-style-type: none"> <li>» Shore-side customer services</li> <li>» On board customer services</li> <li>» Vessel operations</li> <li>» Marine engineering and technical services</li> <li>» Shore-side operations</li> <li>» Harbour operations</li> </ul>  |
| Technical standards       | <ul style="list-style-type: none"> <li>» Adherence to engineering and technical standards, processes, ways-of-working and standard operating procedures</li> </ul>   |
| Harbours                  | <ul style="list-style-type: none"> <li>» Execution of harbour operations policies and processes</li> </ul>   |

**KPIs**

- » Delivery against Regional Service Delivery plan
- » Vessel utilisation
- » Service reliability and punctuality
- » Cancellations and delays
- » Fleet costs
- » Customer satisfaction
- » Accidents and incidents
- » Time to respond to disruption
- » Revenue and profitability per passenger
- » Harbour revenues
- » Fuel and energy consumption and improvements

**Role Title: Head of Regional Service Delivery (Designated Person Ashore)****Critical Interfaces**

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» All passengers and potential passengers</li> <li>» Community representatives and other senior stakeholders</li> <li>» Director, Customer, Sales and Marketing</li> <li>» Head of Customer Experience</li> <li>» Head of Business Customers</li> <li>» Head of Passenger Services, Sales and Marketing</li> <li>» CHFS Exec</li> </ul> |
| Key suppliers             | <ul style="list-style-type: none"> <li>» Head of Service Delivery Planning</li> <li>» Head of Marine Centre of Expertise</li> <li>» Head of Technical Centre of Expertise</li> </ul>   |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Head of Harbours</li> </ul>   |

**Critical capabilities**

- » Passenger transport, including integrated, green and active
- » Vessel specifications and requirements
- » Knowledge of vessels, ports and facilities
- » Knowledge of conditions affecting operations - seasonal weather, events calendar, demographics, business landscape
- » Fuel and energy development and best practice
- » Marine regulations, law and quality standards
- » Deep expertise in all areas of marine operations - technical, processes and crewing
- » Certification at all required levels
- » Deep expertise in all areas of port and harbour operations
- » P&L management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work co-operatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Proven leadership and management skills
- » Experience of managing complex teams and operations successful, safely and within budget
- » Experience of building and managing relations with diverse stakeholders and communities

**Qualifications**

- » Relevant industry qualifications
- » Safety management qualifications
- » Proven track record of personal and professional development

i) \* HR Manager / Director (referred to in our response as Director, Human Resources)

#### Role Title: Director, Human Resources

Reports to: Managing Director

Directorate: Executive / HR

Location: Gourock

#### Role Purpose

To provide HR services which ensure that CHFS has the right people, with the right skills and behaviours, in the right place, at the right time, for delivery of the Contract

#### Key Outputs

- » People and HR strategy, plan and policies
- » The right people, with the right skills and behaviours, in the right place, at the right time
- » An engaged workforce

#### Key Accountabilities

- |  |   |
|--|---|
| Group HR                                       | <ul style="list-style-type: none"> <li>» Group HR strategy</li> <li>» Group policies, frameworks and processes (including performance management, talent and succession, reward)</li> <li>» Group organisation design and change initiatives</li> <li>» Group talent management</li> <li>» Group culture, values and behaviours</li> </ul>          |
| Business partnering to CHFS                    | <ul style="list-style-type: none"> <li>» Support and coaching of managers</li> <li>» Process advice and discipline</li> <li>» Industrial relations</li> <li>» Tier 3 support to managers for complex issues, e.g. performance-related IR, complex discipline and grievance</li> </ul>   |
| HR services                                    | <ul style="list-style-type: none"> <li>» HRS strategy and policy</li> <li>» Partner and contract management</li> <li>» Employee lifecycle administration</li> <li>» Tier 1 and 2 advisory service</li> <li>» Resourcing</li> <li>» Reward</li> <li>» Payroll</li> <li>» Pensions admin</li> <li>» Training admin</li> </ul>                         |
| Learning and development                       | <ul style="list-style-type: none"> <li>» Learning and Development strategy and policy</li> <li>» Learning Management System and training needs matrix</li> <li>» Partner and contract management</li> <li>» Staff training</li> <li>» Induction</li> <li>» Management and leadership development</li> <li>» Talent</li> <li>» Succession</li> </ul> |
| Employee engagement and internal communication | <ul style="list-style-type: none"> <li>» Internal communications</li> <li>» Employee engagement activities</li> <li>» Reinforcement mechanisms to embed Group values and behaviours</li> </ul>  |

#### KPIs

**Role Title: Director, Human Resources**

- » Delivery of HR and OD plan for CHFS
- » Organisational effectiveness
- » Increased people management capability among leaders
- » Staff engagement and satisfaction
- » Staff retention, turnover and absence
- » Number of individuals in the Group talent scheme
- » Employer of choice rating

**Critical Interfaces**

- Key customers           » CHFS Executive and leaders
- Key suppliers           » External service providers

Other critical interfaces

**Critical capabilities**

- » Strategic vision
- » Board-level leadership and influencing skills
- » Change management
- » Industrial relations
- » HR strategy and policy definition
- » Partner and contract management
- » Culture, values and behaviours

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Experience of leading and developing an HR function
- » Relevant industry experience
- » Proven track record of managing positive collaborative industrial relations

**Qualifications**

- » CIPD Qualified
- » Relevant management qualifications
- » Proven track record of personal and professional development

j) \* Marketing Manager (referred to in our response as Director, Customer, Sales and Marketing).

#### Role Title: Director, Customer, Sales and Marketing

Reports to: Managing Director

Directorate: Executive / Customer, Sales and Marketing

Location: Gourock

#### Role Purpose

To define and manage the CHFS customer and commercial strategy and channels, ensuring compliance with Contract terms, customer needs and revenue growth.

#### Key Outputs

- » Customer and channel strategy, policies, principles, standards and enhancements
- » Shore-side and on-board retailing and facilities strategy
- » Customer experience and customer journey plan for all customer segments, across all touch-points
- » Customer experience standards and processes
- » Pricing, booking and ticketing strategy
- » Timetable
- » Smart and integrated travel policies, principles and standards
- » Disruption strategy, policies and practices

#### Key Accountabilities

Passenger services, sales and marketing

- » Specification and development of products and services including added-value, green, active and accessible travel propositions
- » Lifetime product management
- » Development of policies and terms and conditions for pricing, reservations, booking and ticketing, changes and refunds (including retail and RET options)
- » Setting of online booking and ticketing requirements (incorporating Smart and integrated ticketing)
- » Management of ticket distribution
- » Development of policies and guidelines for coach and travel trade
- » Contracting, account and relationship management for coach, travel trade and destination marketing agencies
- » Volume, revenue and yield management
- » Specification and development of retail propositions
- » Retail and facilities planning – on-board and shore-side
- » Retail merchandising, buying and logistics planning
- » Management of retail volumes, revenues and profit
- » Specification, management and approval of marketing, campaign and communication requirements
- » Branding definition, guidelines and compliance
- » Creation of customer-related communication and marketing content
- » Creation and execution of integrated marketing, campaigns and communications
- » Management of communication calendar
- » Management of events and sponsorship

Customer experience

- » Setting and monitoring of CHFS customer and channel strategy, policies and principles
- » Definition and monitoring of the customer experience and customer standards for all customer segments, across all touch points
- » On-board services strategy including catering, retail, entertainment and

**Role Title: Director, Customer, Sales and Marketing**

	<p>facilities</p> <ul style="list-style-type: none"> <li>» Co-ordination of customer requirements regarding specification of vessel (replacement / refurb) and port facilities</li> <li>» Customer research, analysis and insight</li> <li>» Development and management of single customer view – including analytical tools (CRM)</li> <li>» Policies and standards for customer information capture</li> <li>» Setting, monitoring and reporting of customer KPIs</li> </ul>
Customer Services and Channels	<ul style="list-style-type: none"> <li>» Management of customer services through the Customer Contact Centre - information, reservations, ticketing, changes and refunds, technical support, accessibility, complaints, lost-luggage, complex issues and enquiries</li> <li>» Provision of customer information and support during disruption - planned and reactive - in close conjunction with Service Delivery Planning</li> <li>» Setting and monitoring of Customer Contact Centre measures, including planned migration to online</li> <li>» Ombudsman engagement and dialogue</li> <li>» Delivery of channel strategy and development (on and off line) to ensure online becomes the channel of choice</li> <li>» Delivery of social media strategy and development</li> <li>» Social media management – proactive and reactive</li> <li>» Identification of channel enhancements to deliver desired customer experience and business efficiency</li> <li>» Escalation point for unresolved customer complaints including ombudsman engagement</li> </ul>
Passenger Services, Sales and Marketing	<ul style="list-style-type: none"> <li>» Specification and development of products and services including added-value, green, active and accessible travel propositions</li> <li>» Lifetime product management</li> <li>» Development of policies and terms and conditions for pricing, reservations, booking and ticketing, changes and refunds (including retail and RET options)</li> <li>» Setting of online booking and ticketing requirements (incorporating Smart and integrated ticketing)</li> <li>» Management of ticket distribution</li> <li>» Development of policies and guidelines for coach and travel trade</li> <li>» Contracting, account and relationship management for coach, travel trade and destination marketing agencies</li> <li>» Volume, revenue and yield management</li> <li>» Specification and development of retail propositions</li> <li>» Retail and facilities planning – on board and shore-side</li> <li>» Retail merchandising, buying and logistics planning</li> <li>» Management of retail volumes, revenues and profit</li> <li>» Specification, management and approval of marketing, campaign and communication requirements</li> <li>» Branding definition, guidelines and compliance</li> <li>» Creation of customer-related communication and marketing content</li> <li>» Creation and execution of integrated marketing, campaigns and communications</li> <li>» Management of communication calendar</li> <li>» Management of events and sponsorship</li> </ul>
Customer Experience	<ul style="list-style-type: none"> <li>» Setting and monitoring of CHFS customer and channel strategy, policies and principles</li> <li>» Definition and monitoring of the customer experience and customer</li> </ul>

**Role Title: Director, Customer, Sales and Marketing**

- standards for all customer segments, across all touch points
- » On board services strategy including catering, retail, entertainment and facilities
- » Co-ordination of customer requirements regarding specification of vessel (replacement / refurbishment) and port facilities
- » Customer research, analysis and insight
- » Development and management of single customer view – including analytical tools (CRM)
- » Policies and standards for customer information capture
- » Setting, monitoring and reporting of customer KPIs

**KPIs**

- » Farebox revenue
- » Non-Farebox revenue
- » Retail revenue (including food and beverage, retail products, and entertainment)
- » Retail gross profit and net profit
- » Vehicle space utilisation versus capacity
- » Customer satisfaction

**Critical Interfaces**

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» All passengers and potential passengers</li> <li>» Community representatives and other senior stakeholders</li> <li>» CHFS Executive</li> </ul> |
| Key suppliers             | <ul style="list-style-type: none"> <li>» Director, Service Delivery</li> </ul>   |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Director, Finance, IS, Risk and Legal</li> <li>» Head of HSQE</li> <li>» Head of IS</li> <li>» Director, HR</li> </ul>                          |

**Critical capabilities**

- » Relationship management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Proven experience of developing customer and channel strategy, policies, principles, standards and enhancements
- » Senior / Executive level strategic development experience
- » Proven track record of successfully leading and developing teams

**Qualifications**

- » Relevant professional and management qualifications
- » Proven track record of personal and professional development.



k) Any person responsible for Company response in the event of accidents, etc., if not listed above

Our Head of Health, Safety, Quality and Environment is the person responsible for Company response in the event of accidents, details above.

#### l) Transport Integration Manager

##### Role Title: Transport Integration Manager

Reports to: Head of Service Delivery Planning

Directorate: Service Delivery

Location: Gourock

##### Role Purpose

To define and manage the CHFS Smart and integrated travel strategy, policies, principles and standards. To act as the interface and conduit between Customer, Sales and Marketing and Service Delivery

##### Key Outputs

- » Smart and integrated travel strategy, policies, principles, standards and enhancements
- » Continuous improvement of customer experience and customer journey plan for integrated travel
- » Pricing, booking and ticketing strategy
- » Reciprocal agreements with all relevant travel providers
- » Delivery of Smart and integrated scheme

##### Key Accountabilities

- » Definition of Smart and integrated travel policies, principles and standards
- » Setting of online booking and ticketing conditions of carriage for Smart and integrated ticketing
- » Setting of ticket distribution policies and frameworks for integrated travel
- » Negotiation and agreement of commercial and reciprocal arrangements with all integrated travel partners
- » Management of ongoing relationships with integrated travel partners
- » Management of all technical and IS suppliers of integrated travel
- » Contact point for integrated travel stakeholders e.g. Transport Scotland, communities, transport bodies

##### KPIs

- » Integrated transport revenue
- » Number of integrated passenger journeys
- » Number of integrated travel partners
- » Customer satisfaction

##### Critical Interfaces

- |                           |  |
|---------------------------|--|
| Key customers             | <ul style="list-style-type: none"> <li>» Transport Scotland</li> <li>» All passengers and potential passengers</li> <li>» Community representatives and other senior stakeholders</li> <li>» CHFS Executive</li> </ul> |
| Key suppliers             | <ul style="list-style-type: none"> <li>» Director, Customer, Sales and Marketing</li> <li>» Head of IT</li> </ul>  |
| Other critical interfaces | <ul style="list-style-type: none"> <li>» Heads of Regional Service Delivery</li> <li>» Other travel providers</li> </ul>   |

##### Critical capabilities

**Role Title: Transport Integration Manager**

- » Passenger transport, including integrated, green and active
- » Customer relationship management
- » Customer service standards definition and quality monitoring
- » Product development and management
- » Marketing and product promotion
- » Key account management
- » Marketing and product promotion
- » Partner and supplier management
- » Stakeholder management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others
- » Influence others to deliver results in a matrix structure

**Experience**

- » Proven experience of working in an operational role in a ferry company
- » Experience of working in and managing port operations
- » Excellent stakeholder management and communications

**Qualifications**

- » Relevant industry qualifications
- » Proven track record of personal and professional development

**m) Director of Community and Stakeholder Engagement****Role Title: Director, Community and Stakeholder Engagement**

Reports to: Managing Director

Directorate: Executive / Community and Stakeholder Engagement

Location: Gourrock

**Role Purpose**

To define and manage the CHFS community, stakeholder and CSR strategies, ensuring a clear CHFS "voice" and effective multilateral communication between the CHFS organisation and its communities and stakeholders.

**Key Outputs**

- » Community and Stakeholder Engagement strategy and plan
- » Clear accountabilities for community and stakeholder engagement across CHFS
- » A positive and constructive relationship with CHFS communities and stakeholders

**Key Accountabilities**

Community and                    » Setting and monitoring of community strategy - to engage, involve and

**Role Title: Director, Community and Stakeholder Engagement**

Stakeholder strategy	inform - including assurance of participation and fulfilment of community activities by all relevant internal CHFS individuals and teams
Stakeholder Management	<ul style="list-style-type: none"> <li>» Management of the interface between CHFS and its communities and major stakeholders, to ensure most effective representation of CHFS externally and maximum understanding of communities and stakeholders by CHFS</li> <li>» CHFS stakeholder mapping, planning, engagement and management</li> <li>» Close collaboration with Business Customers team, regarding business customers which are also significant stakeholders, e.g. hauliers</li> <li>» Coordination of the CHFS stakeholder plan, and monitoring of internal Stakeholder-Managers' engagement activities with stakeholders</li> <li>» Monitoring and assurance of stakeholder engagement responsibilities (e.g. job descriptions) and capabilities</li> <li>» Management of the DML Contact Management System, processes and tools at CHFS level, including access rights, report</li> </ul>
Public Affairs	<ul style="list-style-type: none"> <li>» Management of Public Affairs relating to matters that concern the public, CHFS stakeholders and shareholders directly (includes legislation, policing, public administration, annuals reports, stakeholder notices, Freedom of Information requests, Transport Scotland and business partner communications e.g. CMAL)</li> <li>» Coordination of CHFS participation and profile in the industry and sector, including the stakeholder engagement calendar of communications and events</li> </ul>
CSR	<ul style="list-style-type: none"> <li>» Development and management of CHFS CSR strategy, including environment activities, and monitoring and reporting of CSR activities</li> </ul>
Performance management and reporting	<ul style="list-style-type: none"> <li>» Setting of community, stakeholder and CSR measures</li> <li>» Production of the CHFS sections of the DML annual report</li> <li>» Production of the CHFS CSR report</li> </ul>

**KPIs**

- » Agreed community and stakeholder strategy
- » Consistency of messaging to all communities and stakeholders
- » Agreed stakeholder engagement plan, with owners and actions
- » Execution of stakeholder engagement plan
- » Timeliness and completeness of FOI responses
- » Stakeholder satisfaction

**Critical Interfaces**

Key customers	<ul style="list-style-type: none"> <li>» Community groups and individuals</li> <li>» CHFS external stakeholders</li> <li>» Local and national media</li> <li>» CHFS leaders and Exec</li> <li>» Head of Customer Experience</li> <li>» Passenger Products and Sales Manager</li> <li>» Coach and Travel Trade Manager</li> <li>» Head of Business Customers</li> </ul>
Key suppliers	<ul style="list-style-type: none"> <li>» Director, Service Delivery</li> <li>» Director, Customer, Sales and Marketing</li> <li>» Service Management</li> </ul>
Other critical interfaces	<ul style="list-style-type: none"> <li>» Channel Manager (communications calendar)</li> <li>» Marketing Manager</li> <li>» Business Planning Team</li> </ul>

**Role Title: Director, Community and Stakeholder Engagement**

- » Customer Insight and Standards Manager
- » Engagement and Communications Manager (HR)

**Critical capabilities**

- » Strategic vision
- » Board-level leadership and influencing skills
- » Understanding of and connection to CHFS communities and stakeholders
- » Stakeholder engagement and management
- » Communication and diplomacy skills - verbal, written and presentational
- » Media management
- » Understanding of environmental and Corporate Social Responsibility issues and benefits

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

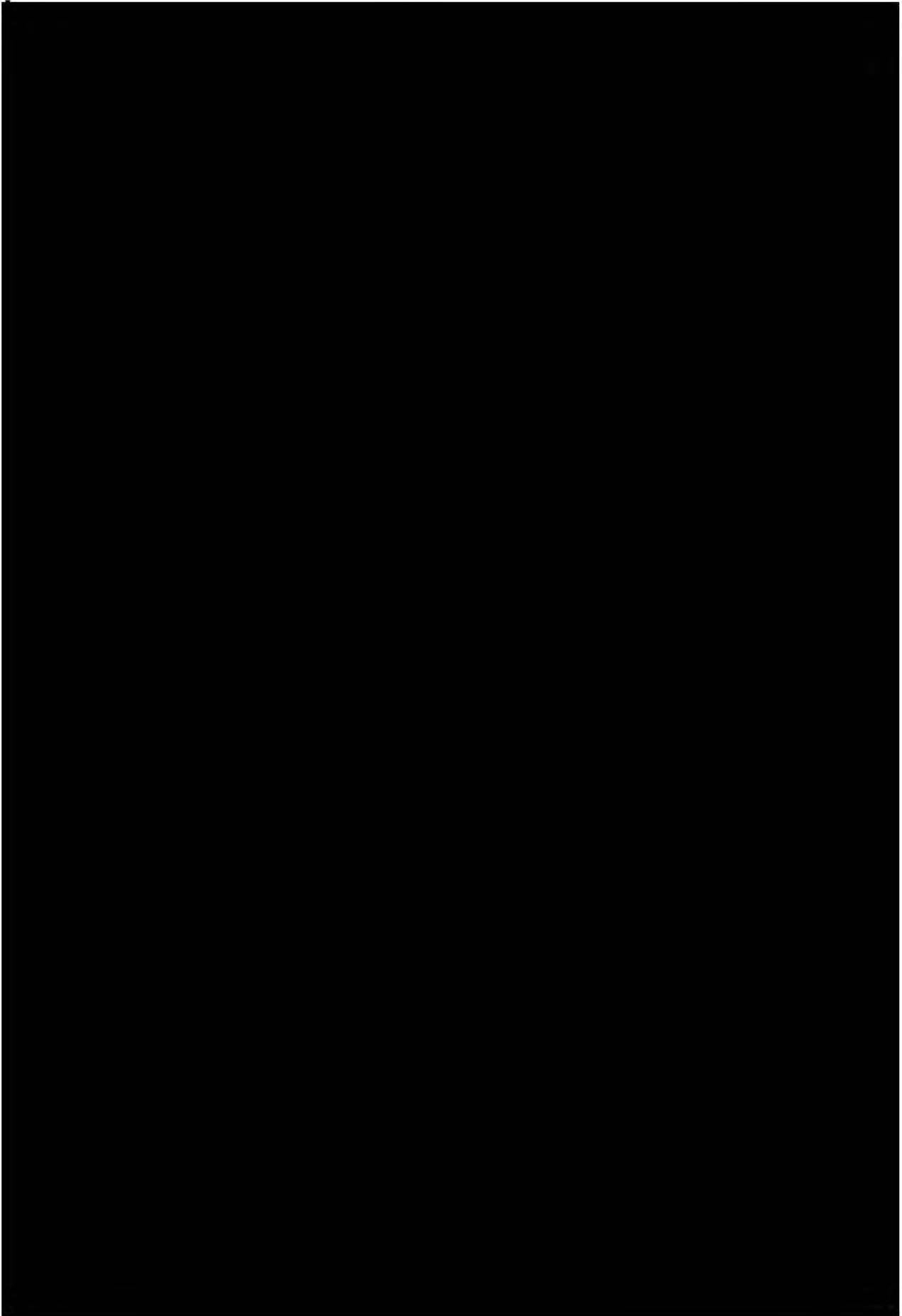
- » Clear understanding of the stakeholder map for CHFS and demonstrable engagement with communities
- » Experience of working positively and proactively with diverse stakeholders
- » Excellent communication skills

**Qualifications**

- » Advanced management qualifications
- » Proven track record of personal and professional development



to be



**Role Title: Head of Information Systems**

» Systems suppliers and integrators

Other critical interfaces

- » Director, Customer, Sales and Marketing
- » Director, Service Delivery
- » Head of HSQE
- » Director, Community and Stakeholder Engagement
- » Director, HR

**Critical capabilities**

- » Strategic vision
- » Board-level leadership and influencing skills
- » Extensive service design and delivery experience
- » Extensive service management experience
- » Extensive telecoms management experience
- » Experience of managed IS
- » ITIL accreditation
- » Knowledge of enterprise architecture, security and compliance, and information management

**Competencies and behaviours**

- » Demonstrate our commitment to safety
- » Work cooperatively and supportively with colleagues, developing positive, open working relationships.
- » Have a strong focus on continuous learning for yourself, others and the organisation
- » Ability to come up with innovative, creative and imaginative solutions
- » Adopt a methodical approach to work
- » Drive to put energy into achieving results and take action to exceed goals and expectations
- » Anticipate, meet and exceed the needs of customers
- » Use judgement to take quick and confident decisions
- » Lead and motivate others

**Experience**

- » Proven track record of leading, developing and transforming IS departments
- » Experience in developing IS strategy and plans and seeing these through to implementation
- » Experience of leading and implementing transformation projects successfully and within budget

**Qualifications**

- » Relevant professional qualifications in IS related field
- » Proven track record of personal and professional development.

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Outline Draft  
to be completed during Mobilisation

**PART B: KEY PERSONNEL**

**1 Key Personnel**

1.1 The following table identifies the Representatives and Key Personnel that have been charged with the delivery of the Services. Any changes to the nominations by the Scottish Ministers or the Operator shall be notified to the other Party prior to such revised personnel becoming responsible for the Services.

Name	Designation
<b>Scottish Ministers' Representative: [Note: the Scottish Ministers to specify Representative]</b>	
<input type="checkbox"/>	<input type="checkbox"/>
<b>Senior Scottish Ministers' Representative: [Note: the Scottish Ministers to specify Representative]</b>	
<input type="checkbox"/>	<input type="checkbox"/>
<b>Operator's Representative:</b>	
Robbie Drummond	Director, Finance, IS, Legal and Risk
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annum.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

### Senior Operator's Representative:

Martin  
Dorchester

Managing Director

#### Personal Statement

Martin is the Chief Executive of David MacBrayne Group and Managing Director of CFL, with leadership responsibility for strategy and business direction. He has worked in a variety of Chief Executive level roles, both nationally and internationally, including Dixons, GLG, Spicerhaart and most recently, David MacBrayne Ltd. Martin also operates as non-executive director in a number of organisations, most notably as Chair of the social investment fund Firstport Ltd., and also as a non-executive with Traveline Scotland and The Sailors' Orphan Society of Scotland.

He is skilled at building relationships with a wide variety of senior stakeholders, especially governmental and regulatory. He is adept at leading teams through change, and is passionate about developing people and business to their optimum performance.

Martin is a noted academic and speaker and he has written on corporate responsibility for a number of journals. He also speaks regularly at events for Scottish Council for Development and Industry (SCDI), Institute of Directors (IOD), Thrive for Business etc. In 2014 Martin won the Public Sector Director of the Year award from the IOD.

#### Education and Professional Qualifications

2000	MBA, Kingston University
2010 to 2011	BSc. Hons., Social Science and Politics, 2:1, The Open University
2012 to 2013	Diploma, Economics, Distinction, The Open University
2009 to 2010	Diploma, Social Policy and Criminology, The Open University
2008 to 2009	Diploma, Politics and Government, The Open University
2008	PRINCE2, OGC
1997	CPC International Transport, RCA

#### Employment History

2012 to present	Chief Executive, David MacBrayne Ltd / Managing Director CFL
2013 to present	Chairman, Firstport
2013 to present	Non-Executive Director, The Sailors Orphan Society of Scotland
2012 to present	Non-Executive Director, Traveline Scotland
2007 to present	Council Member, Gerson Lehrman
2009 to 2012	Managing Director, MD Business Solutions
2008 to 2009	Chief Executive, Dixon Store Group International (DSGi) Business / Equanet
2000 to 2008	Managing Director, MD Interims Ltd.
1999 to 2000	Chief Operating Officer, ci4net Technologies

#### Relevant Experience

- » Led business refinancing for Dixons of £300m
- » Prepared and secured £200m investment for the UK's largest independent estate agency to acquire a national chain
- » Set up a global business incubator and secured \$2bn of funding
- » Designed and implemented a turnaround strategy for Dixons B2B, moving from a £10m loss position

Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 11

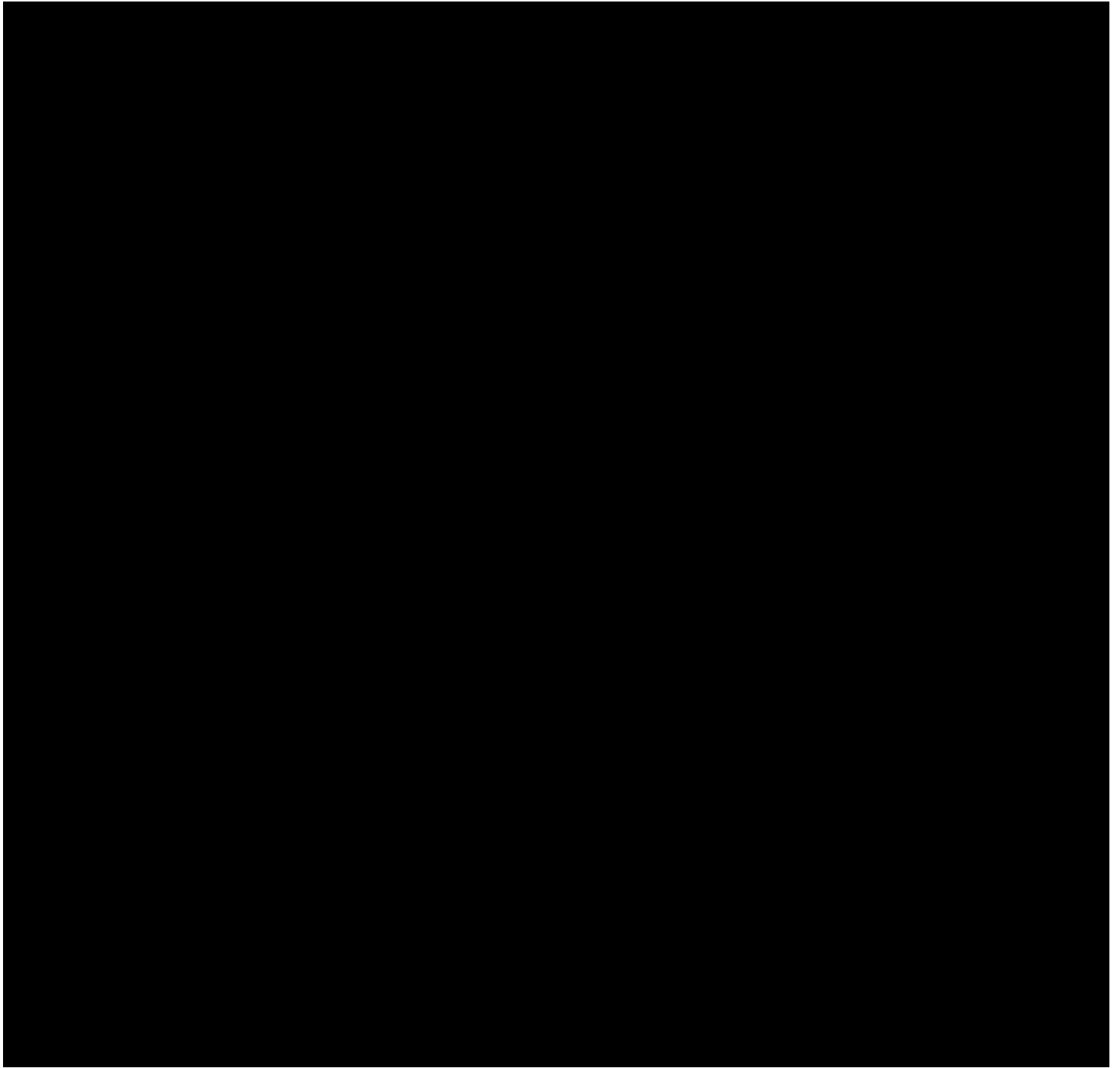
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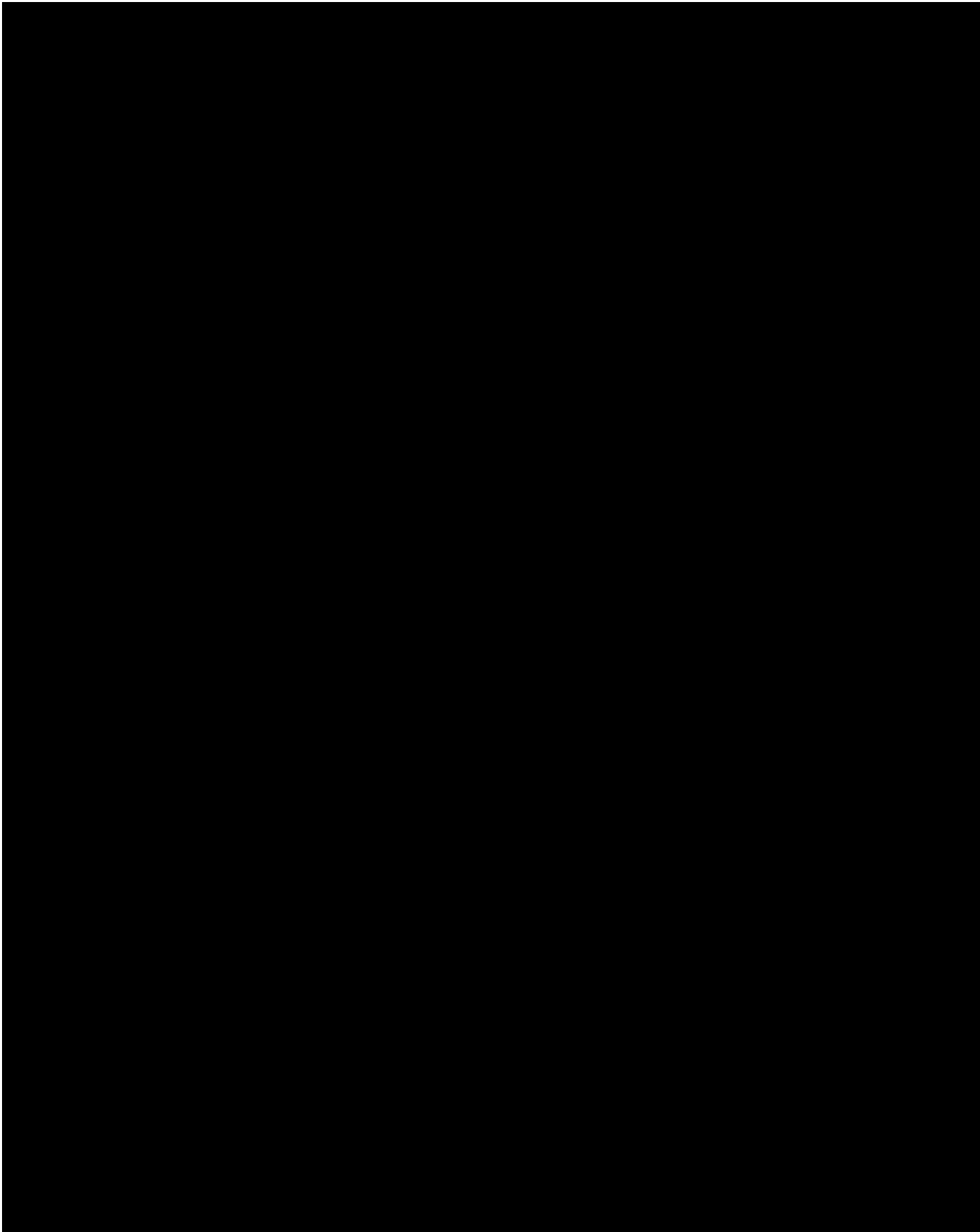
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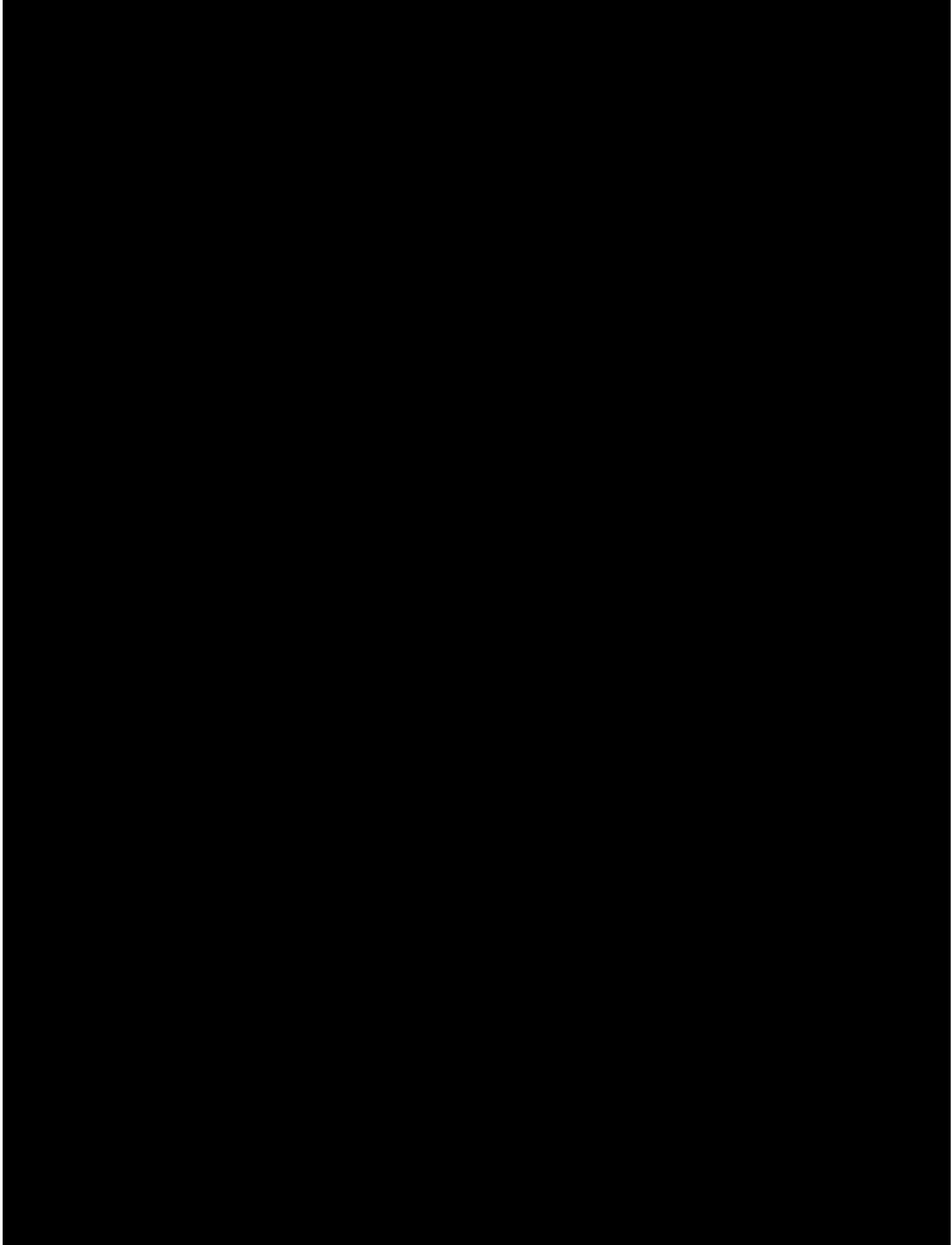
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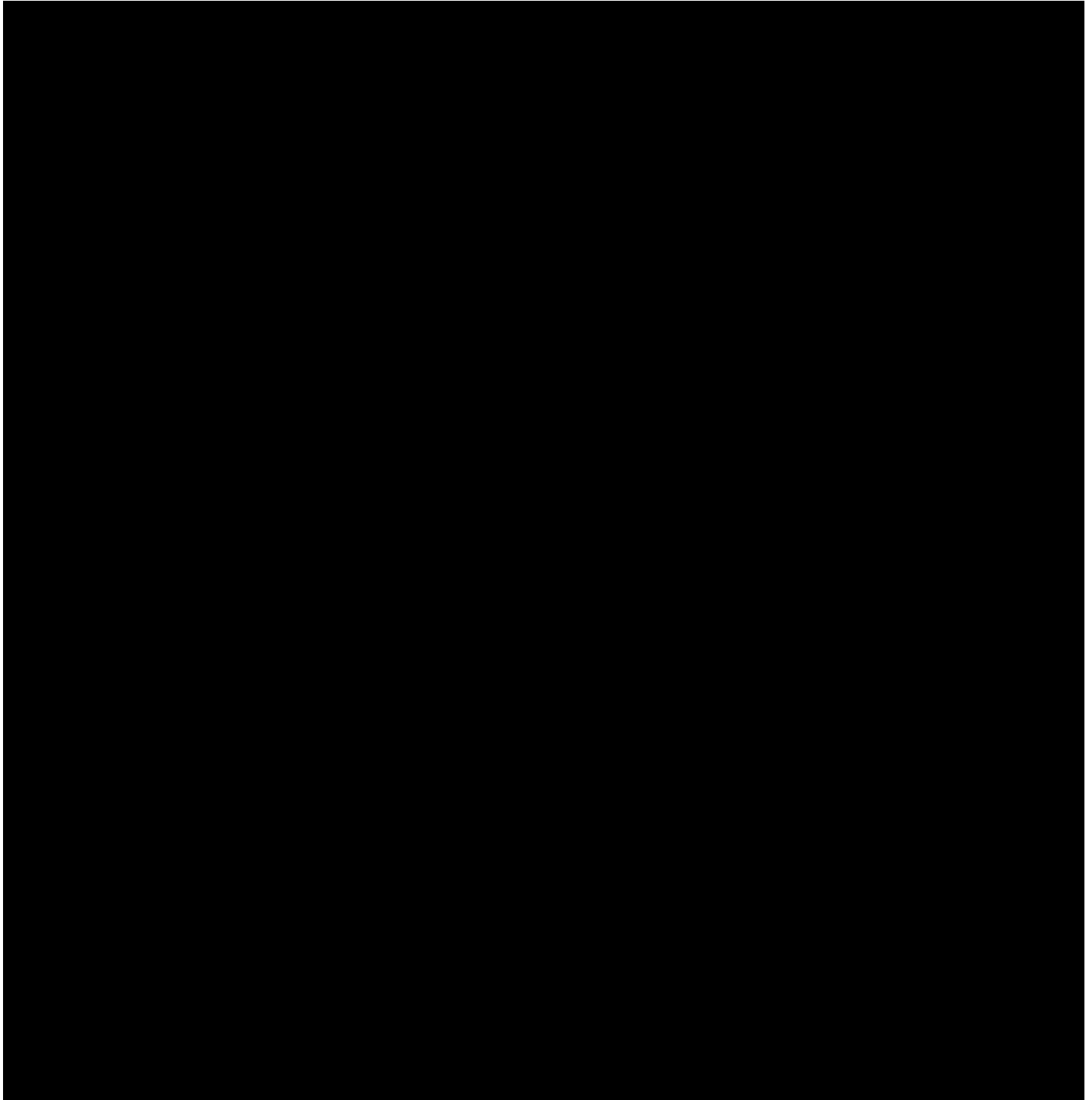
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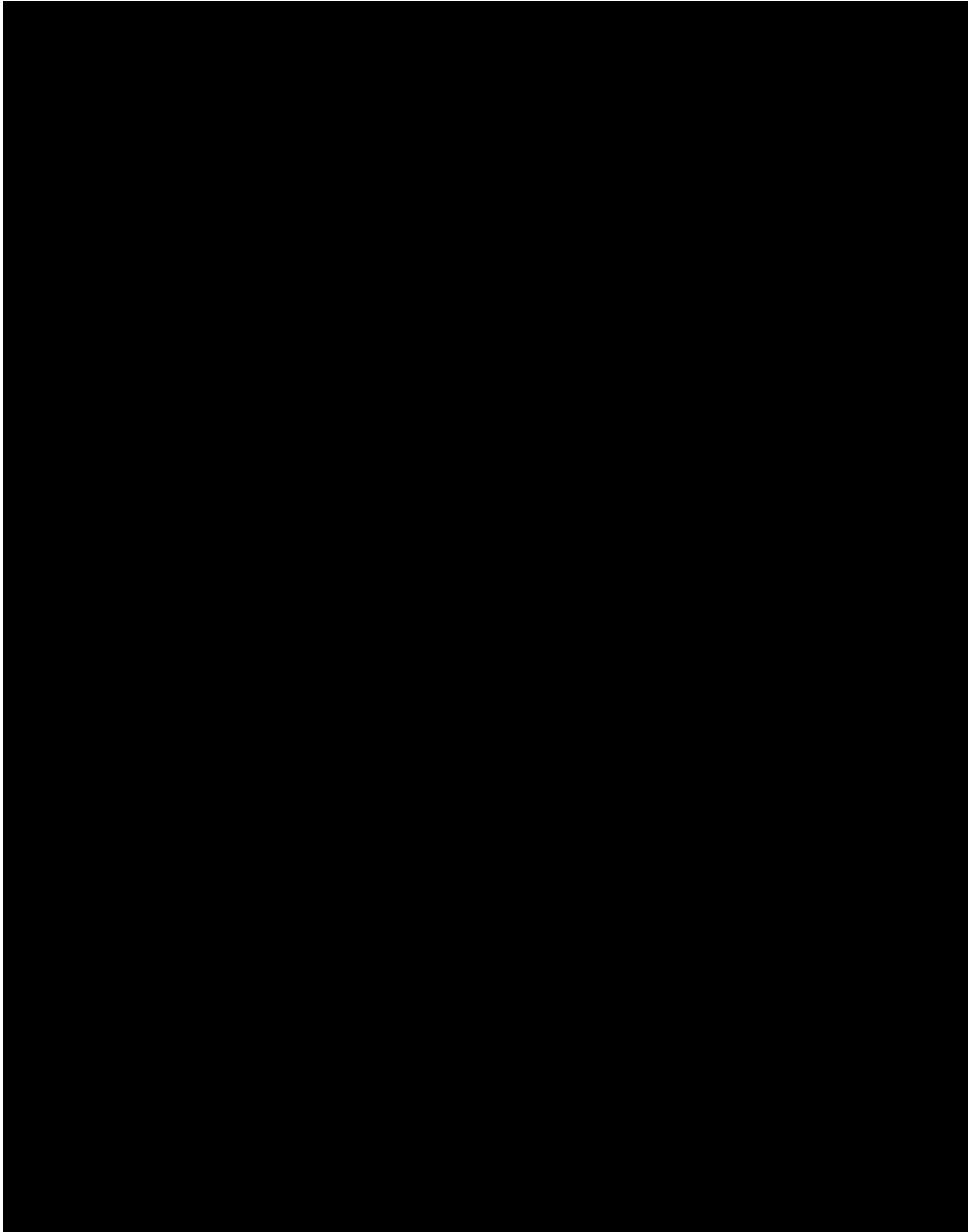
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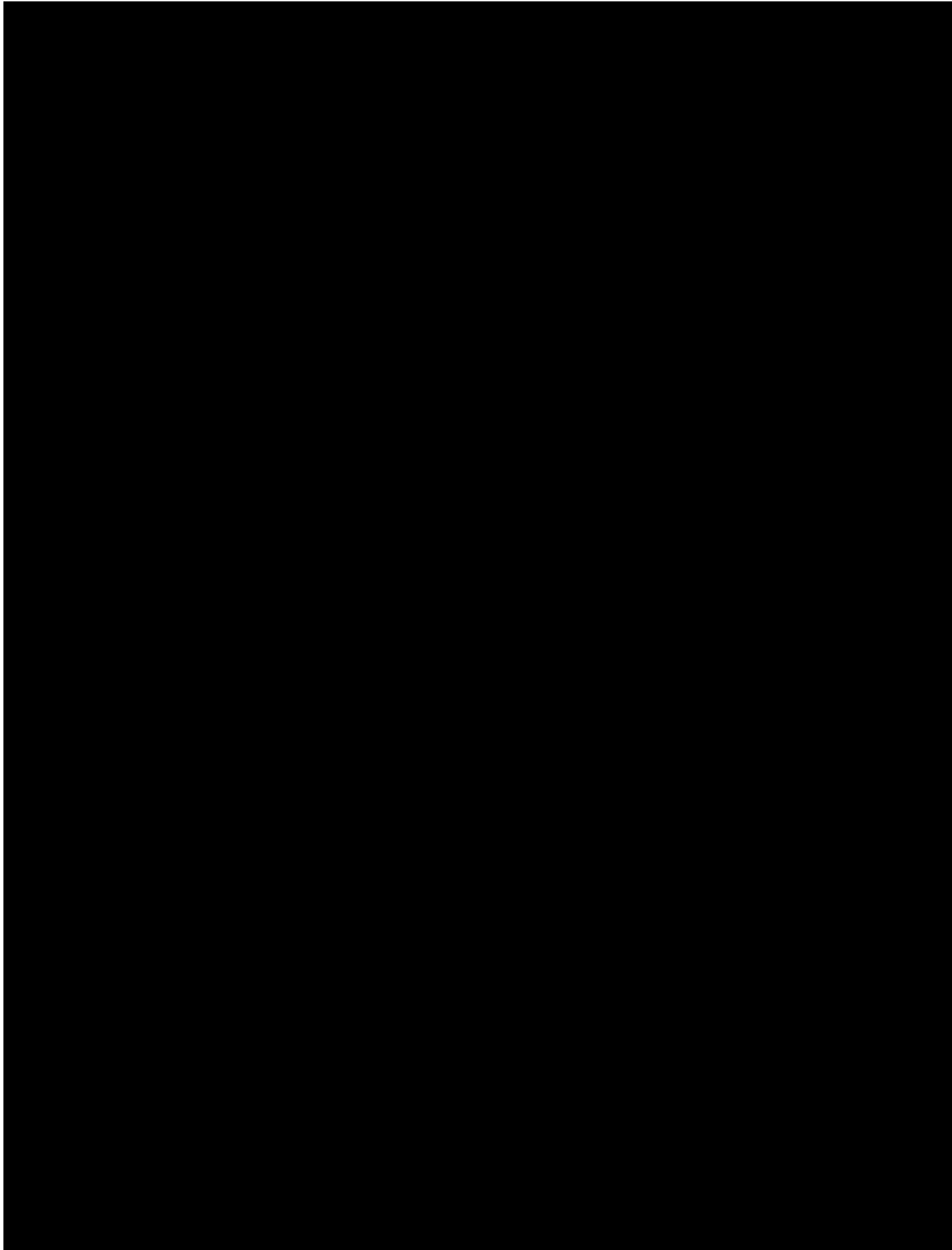




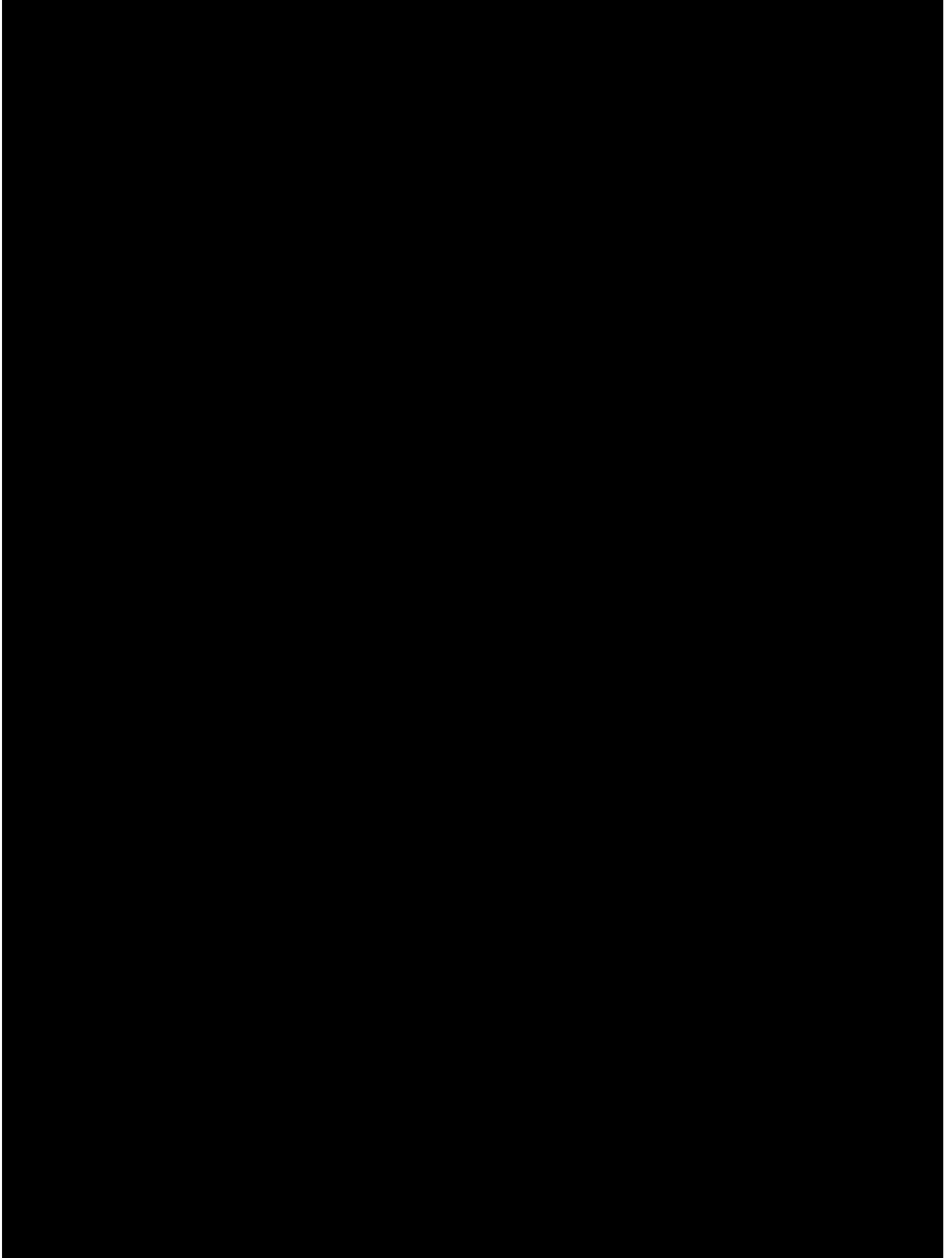


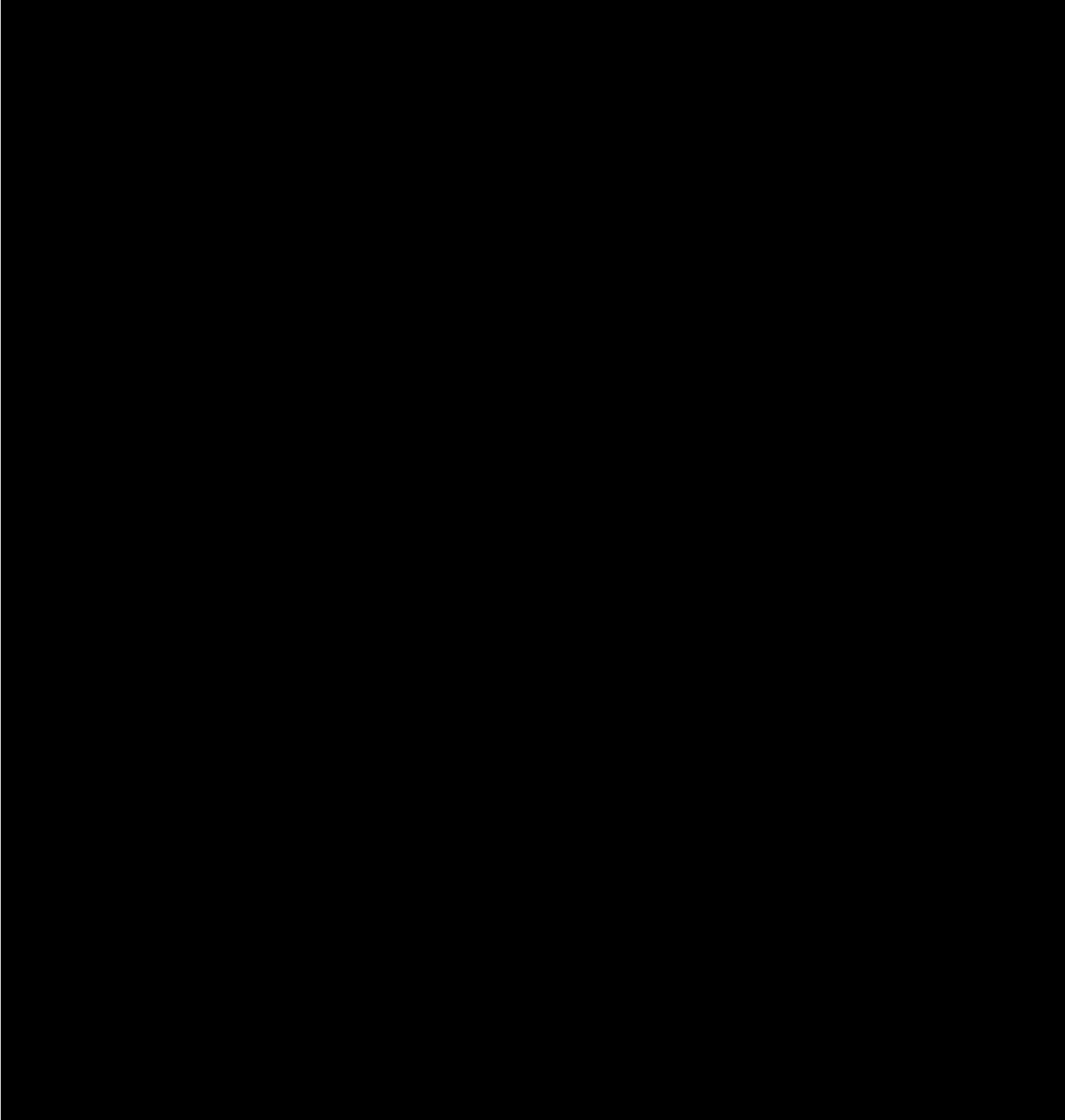


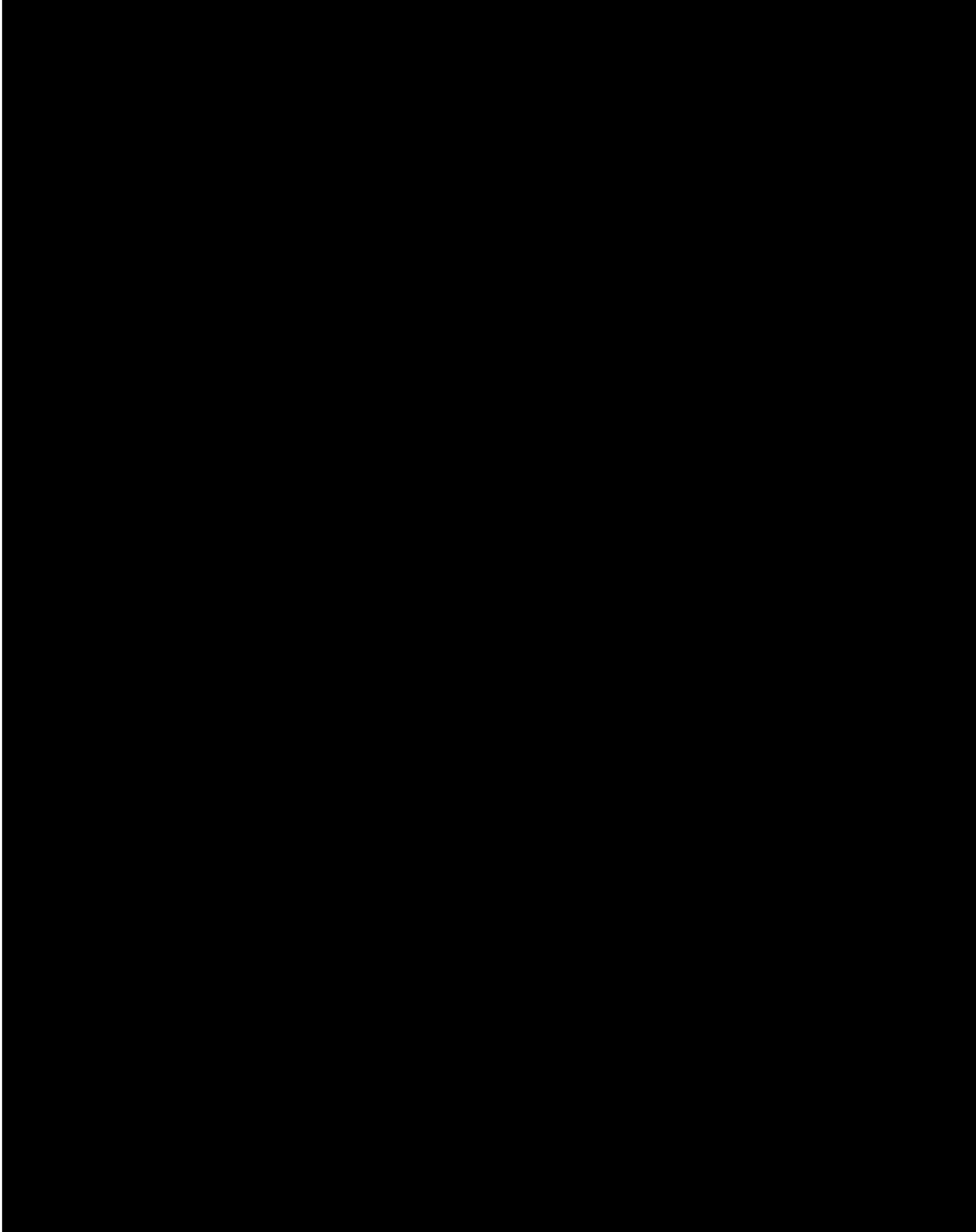








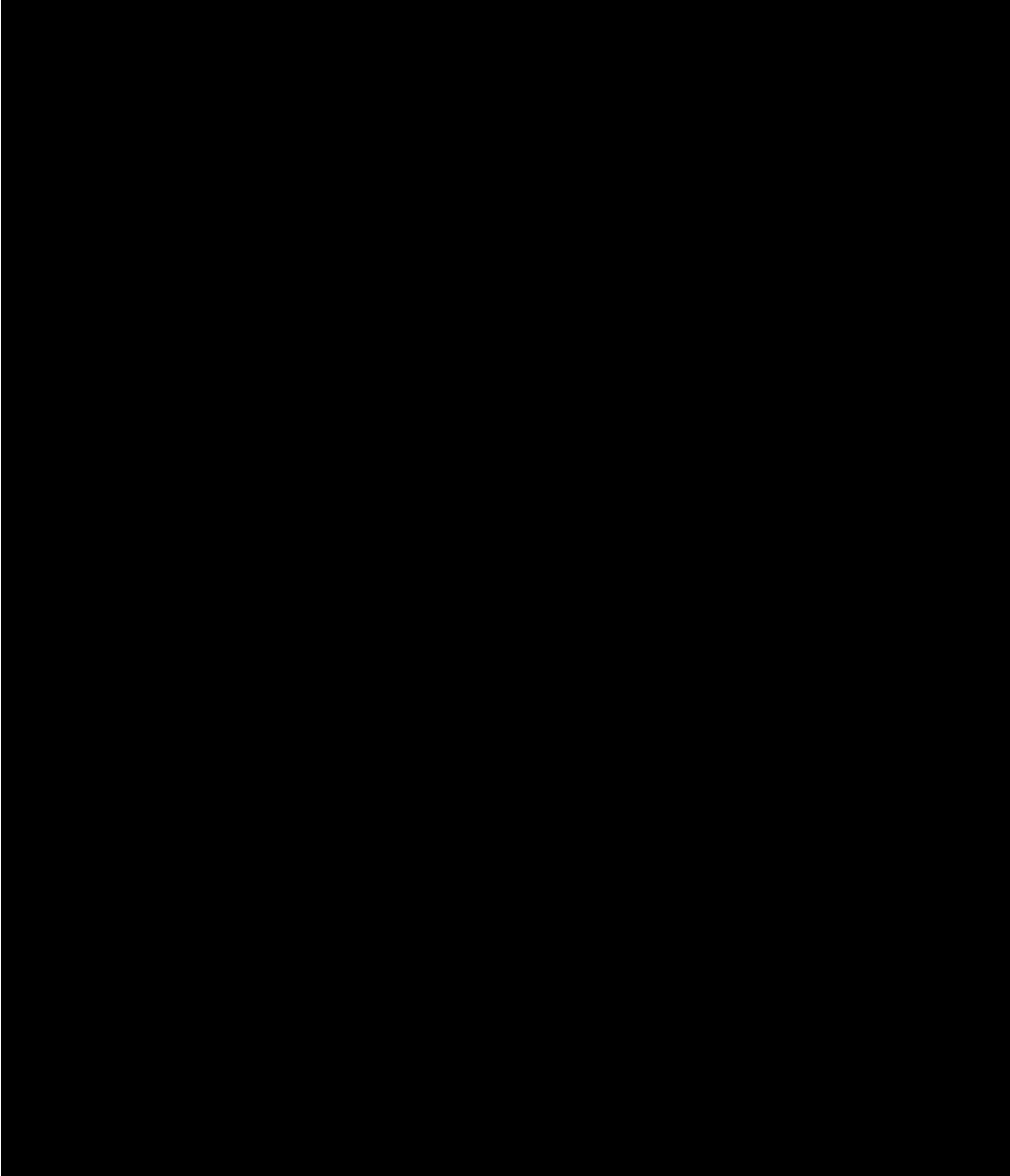


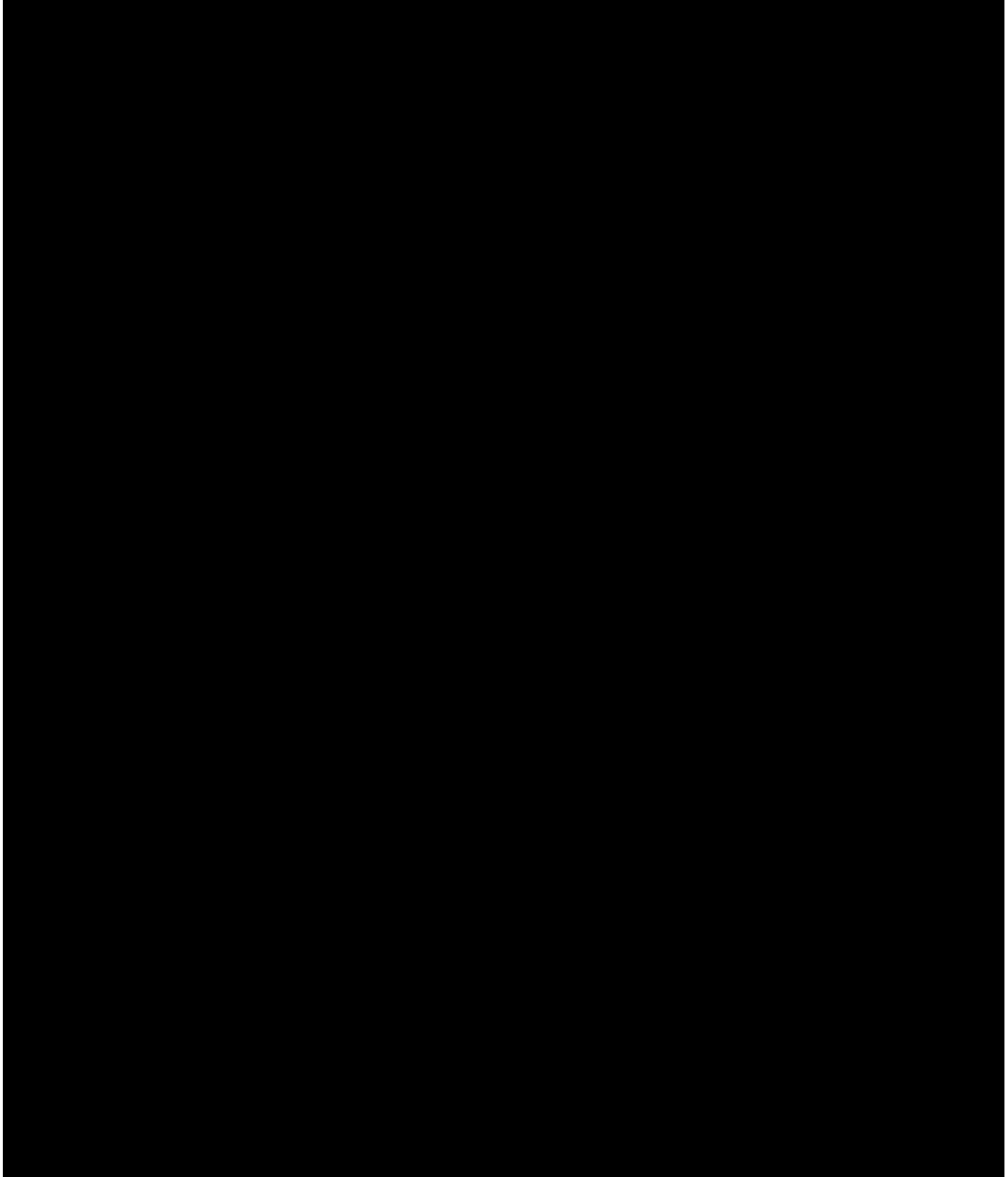


Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 11

Name:	Role:	Designation
Brian Fulton	Director, Community and Stakeholder Engagement.	Director, Community and Stakeholder Engagement.





1.2 In the table above, Qualification and Experience shall include:

- **Education:** Graduate and post-graduate qualifications – Including qualification(s), title, level, year of attainment, institution.
- **Relevant Qualifications:** Including qualification(s), title, level, year of attainment, regulating, awarding or professional body.
- **Employment History:** Brief description outlining career history, relevant specialism, number of years of remunerated experience.
- **Relevant experience:** Provide a description of relevant experience to date, including dates of relevant assignments and description of role undertaken.

Outline Draft  
to be completed during Mobilisation

**PART C: STAFF COSTS AND TUPE****DEFINITIONS****The following definitions apply to this Schedule 11 Part C**

**Acquired Rights Directive** means the European Council Directive 77/187/EEC on the approximation of laws of European member states relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses, as amended;

**Operator Provisional Staff List** means a list prepared and updated by the Operator of all employees who are engaged in or wholly or mainly assigned to, the provision of the Services or any part of the Services as at the date of such list;

**Operator Final Staff List** has the meaning given to it in paragraph 2.1.2;

**Outgoing Operator Employees** means any employees of the Outgoing Operator 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;

**Data Protection Legislation** means the Data Protection Act 1998 and all applicable laws and regulations relating to processing of personal data and privacy, including where applicable the guidance and codes of practice issued by the Information Commissioner or in relation to such legislation;

**Employee Liabilities** means all claims actions, proceedings, orders, demands, complaints, investigations and any award, compensation, damages, tribunal awards, fine, loss, penalty, disbursement, payment made by way of settlement and costs, expenses and legal costs reasonably incurred in connection with a claim or investigation including in relation to the following:

- (a) redundancy payments including contractual or enhanced redundancy costs, termination costs and notice payments;
- (b) unlawful deduction of wages;
- (c) unfair, wrongful or constructive dismissal compensation;
- (d) compensation claims for sex, race or disability discrimination or discrimination on the grounds of religion, belief or sexual orientation or claims for equal pay;
- (e) compensation for less favourable treatment of part time workers;

- (f) outstanding debts and unlawful deduction of wages including any PAYE and National Insurance Contributions in relation to payments made by the Scottish Ministers or the Incoming Operator to a Transferring Operator Employee which would have been payable by the Operator if such payment should have been made prior to the Service Transfer Date;
- (g) claims whether in delict, contract or statute or otherwise;
- (h) any investigation by the Equality and Human Rights Commission or other enforcement, regulatory or supervisory body and of implementing any requirements which may arise from such investigation);

**Employment Regulations** means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246) as amended or replaced or any other Regulations implementing the Council Directive 77/187/EEC on the approximation of the laws of the Member States relating to the safeguarding of employees' rights in the event of transfers of undertakings, businesses or parts of undertakings or businesses;

**Relevant Transfer** means a transfer of employment to which Employment Regulations applies or is treated as applying;

**Relevant Transfer Date** means the date upon which the Relevant Transfer takes place;

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

**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;

**Service Transfer** has the meaning given to it in paragraph 3.1;

**Service Transfer Date** means the date upon which the Service Transfer takes place;

**Staffing Information** means written information about each of the Operator's employees, (in such format as the Scottish Ministers may reasonably request including in tabular form in accordance with a template which may be provided to the Operator by Scottish Ministers) which shall include in particular: the percentage of working time spent by each of them in the provision of the services; job title; remuneration (meaning salary and benefits and any enhanced redundancy terms); age; length of service; notice period; particulars of employment in accordance with section 1 of the Employment Rights Act 1996;



the applicability of any collective agreement to such staff; any disciplinary action taken against any of them in the preceding two (2) years; details of any grievances raised by any of them in the preceding two (2) years; any Court or employment tribunal proceedings brought by any of them in the preceding two (2) years; any potential proceedings which the Operator or its Subcontractors reasonably considers may be raised by any of them; and information about any of them who have been absent from work for one (1) Month or more regardless of the reason at the time the staffing information is requested;

**Transferring Operator Employees** means those employees of the Operator or any Associated Company or Operator's subcontractors engaged in or wholly or mainly assigned to, the provision of the Services or any part of the Services to which the Employment Regulations will apply on the Service Transfer Date.

## 1. TRANSFER OF STAFF AT COMMENCEMENT

- 1.1 The Scottish Ministers and the Operator will proceed on the basis that the commencement of the provision of the Services by the Operator under the Contract will be a "Relevant Transfer". The Scottish Ministers and the Operator further agree that, as a result of the operation of the Employment Regulations, the contracts of employment between the Outgoing Operator and the Outgoing Operator Employees (except in relation to any contract terms relating to occupational pension schemes) will have effect from the Relevant Transfer Date as if originally made between the Operator and each such Outgoing Operator Employee.
- 1.2 The Scottish Ministers will use reasonable endeavours to procure (to the extent it has a contractual right to do so) that the Outgoing Operator will perform and discharge all their obligations in respect of all the Outgoing Operator's Employees, including all remuneration, benefits, entitlements and outgoings, all wages, accrued but untaken holiday pay, bonuses, commissions, payments of PAYE, national insurance contributions, pension contributions, prior to the Relevant Transfer Date and to make any necessary apportionments in respect of any periodic payments due to them.
- 1.3 The Operator shall comply with all of its obligations under the Employment Regulations and shall perform and discharge all its obligations in respect of all the Outgoing Operator's Employees including all remuneration, benefits, entitlements and outgoings, all wages, accrued but untaken holiday pay, bonuses, commissions, payments of PAYE, national insurance contributions, pension contributions, from and after the Relevant Transfer Date. The Operator shall indemnify the Scottish Ministers

for itself and on behalf of the Outgoing Operator against all Employee Liabilities arising from the Operator's failure to comply with all of its obligations under the Employment Regulations and/or perform and discharge any such obligation in relation to the Outgoing Operator's Employees.

- 1.4 The Scottish Ministers will use reasonable endeavours to procure (to the extent it has a contractual right to do so) that the Outgoing Operator will indemnify the Operator against all liabilities, damages, costs (including reasonable legal costs), claims, awards and expenses (save for any claims for personal injury which are covered by insurance) in connection with or arising from any claim by any Outgoing Operator's Employee (or, where applicable, any trade union or employee representative of any Outgoing Operator's Employees) arising out of or in connection with:

1.4.1 any fact or matter concerning or arising from his/her employment, or the termination thereof, before the Relevant Transfer Date, including (but not limited to) any claims of unfair dismissal, wrongful dismissal, unlawful deduction, breach of contract, sex discrimination, race discrimination or disability discrimination, or any claim for a redundancy payment;

1.4.2 the breach or non-observance by the Outgoing Operator during the period prior to the Relevant Transfer Date of any collective agreement or other custom or practice with a trade union or staff association in respect of any Outgoing Operator's Employees; and

1.4.3 any proceeding, claim or demand by the HMRC or other statutory authority in respect of any financial obligation including, but not limited to, PAYE and primary and secondary national insurance contributions

1.4.3.1. in relation to any Outgoing Operator Employee, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising before the Relevant Transfer Date; and

1.4.3.2. in relation to any employee who is not an Outgoing Operator Employee, and in respect of whom it is later alleged or determined that Employment Regulations applied so as to transfer his/her employment from the Outgoing Operator to the Operator, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising before the Relevant Transfer Date.

- 1.5 The Operator shall indemnify the Scottish Ministers on behalf of the Outgoing Operator against all Employee Liabilities arising from the Operator's failure to perform and discharge any obligation and against any Employee Liabilities in respect of the Outgoing Operator Employees arising from or as a result of any act or omission by the Operator or relating to a Outgoing Operator Employee occurring before, on or after the Relevant Transfer Date and/or any other matter, event or circumstance occurring or having its origin on or after the Relevant Transfer Date which would give rise to a substantial change in working conditions to the material detriment of an Outgoing Operator's Employee.
- 1.6 The Operator shall indemnify the Scottish Ministers for itself and on behalf of the Outgoing Operator against all Employee Liabilities (save for any claims for personal injury which are covered by insurance) in connection with or arising from any claim by any Outgoing Operator Employee (or, where applicable, any trainee or employee representative of any Outgoing Operator's Employee) arising or in connection with:
- 1.6.1 his/her employment or its termination arising or occurring on or after the Relevant Transfer Date;
  - 1.6.2 a failure of the Operator to discharge or procure the discharge of all wages, salaries and all other benefits and all PAYE tax deductions and National Insurance contributions relating to the Outgoing Operator Employee in respect of the period on or after the Relevant Transfer Date;
  - 1.6.3 any act or omission by the Operator occurring on or after the Relevant Transfer Date;
  - 1.6.4 any claim made by or in respect of an Outgoing Operator's Employee or any appropriate employee representative (as defined in Employment Regulations) of any Outgoing Operator's Employee relating to any act or omission of the Operator in relation to its obligations under the Employment Regulations whether occurring before, on or after the Relevant Transfer Date including any claim made by or in respect of an Outgoing Operator's Employee or any appropriate employee representative (as defined in Employment Regulations) of any Outgoings' Operator's Employee relating to any act or omission of the Operator in relation to its obligations under Regulation 13 of the Employment Regulations or in respect of an award of compensation under Regulation 15 of the Employment Regulations except to the extent that the liability arises from the Scottish Ministers' or any

Outgoing Operator's failure to comply with their obligations under the Employment Regulations;

- 1.6.5 any statement communicated to, or action undertaken by the Operator to, or in respect of, any Outgoing Operator Employee on or before the Relevant Transfer Date regarding the Relevant Transfer which has not been agreed in advance with the Scottish Ministers or the Outgoing Operator in writing;
- 1.6.6 the breach or non-observance by the Operator during the period on or after the Relevant Transfer Date of any collective agreement or other custom or practice with a trade union or staff association in respect of any Outgoing Operator's Employee;
- 1.6.7 any proceeding, claim or demand by the HMRC or other statutory authority in respect of any financial obligation including, but not limited to, PAYE and primary and secondary national insurance contributions:
- 1.6.7.1. in relation to any Outgoing Operator Employee, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising on or after the Relevant Transfer Date; and
- 1.6.7.2. in relation to any employee who is not an Outgoing Operator Employee, and in respect of whom it is later alleged or determined that Employment Regulations applied so as to transfer his/her employment from the Outgoing Operator to the Operator, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising on or after the Relevant Transfer Date
- 1.7 The Operator shall notify the Scottish Ministers of any claims by any Outgoing Operator's Employee as soon as practicably possible to allow the Scottish Ministers and the Outgoing Operator to conduct or control the defence to such claims as well as any settlement negotiations and shall comply with all reasonable instructions of the Scottish Ministers and provide such co-operation as the Scottish Ministers may reasonably require in this respect.

## 2. PRE-SERVICE TRANSFER OBLIGATIONS

- 2.1 The Operator agrees that, subject to compliance with the Data Protection Legislation

2.1.1 within twenty (20) Working Days of the earliest of:

2.1.1.1. receipt of a notification from the Scottish Ministers of a Service Transfer or intended Service Transfer; or

2.1.1.2. receipt of the giving of notice of early termination of the Contract or any part thereof; or

2.1.1.3. the date which is twelve (12) Months before the due expiry date of the Agreement; or

2.1.1.4. receipt of a written request of the Scottish Ministers at any time, save that any such request may only be made once in any six (6) month period;

it shall provide the Operator's Provisional Staff List, together with Staffing Information in relation to such persons, to the Scottish Ministers (or, at the direction of the Scottish Ministers, to an actual or prospective Incoming Operator or prospective tenderer for a New Contract) and it will provide an updated Operator's Provisional Staff List at such intervals as are reasonably requested by the Scottish Ministers;

2.1.2 at least twenty (20) Working Days prior to the Service Transfer Date, the Operator shall provide to the Scottish Ministers and to any Incoming Operator a final list of Transferring Operator Employees which shall transfer under Employment Regulations (the "Operator's Final Staff List"); and

2.1.3 the Scottish Ministers shall be permitted to use and disclose information provided by the Operator under this paragraph 2.1 for informing any tenderer or other prospective Incoming Operator.

2.2 The Operator's Final Staff List will identify which of the Operator's employees named are Transferring Operator Employees. The provision of personal data regarding those individuals detailed on the Operator's Final Staff List is subject to the consent of such individuals (which the Operator will use its reasonable endeavours to obtain) and being mindful that the Operator's Final Staff List can change up to the date of transfer, or in the absence of such individual's approval, the Operator's Final Staff List being suitably anonymised so as to comply with Data Protection Legislation.

2.3 The Operator warrants, for the benefit of the Scottish Ministers and any Incoming Operator, that the information provided under paragraphs 2.1 and 2.2 of this schedule shall be true and accurate in all material respects.

- 2.4 From the date of the earliest event referred to in paragraph 2.1.1, the Operator agrees, for the benefit of the Scottish Ministers and any Incoming Operator, that it shall not, and agrees to procure that its subcontractors shall not, other than in the ordinary course of business, in respect of those employees engaged in the provision of the Services:
- 2.4.1 replace or re-deploy any such employee other than where any replacement is of equivalent grade, skills, experience and expertise;
  - 2.4.2 make, promise, propose or permit any changes to their terms and conditions of employment (including any payments connected with the termination of employment);
  - 2.4.3 increase the proportion of working time spent on the Services (or the relevant part) by any of the employees save for fulfilling assignments and projects previously scheduled and agreed;
  - 2.4.4 introduce any new contractual or customary practice concerning the making of any lump sum payment on the termination of employment of any employees listed on the Operator's Provisional Staff List; and
  - 2.4.5 increase or reduce the total number of employees so engaged, replace any Operator employee listed on the Operator's Provisional Staff List or deploy any other person to perform the Services (or the relevant part) or terminate or give notice to terminate the employment or contracts of any persons on the Operator's Provisional Staff List save for:
    - 2.4.5.1. the execution of assigned operations as detailed in 2.4.3; and/or
    - 2.4.5.2. replacing voluntary resignations or Operator employees terminated by due disciplinary process to satisfy the fulfilment of previously agreed work streams provided that any replacement is employed on the same terms and conditions of employment as the person he/she replaces.
- 2.5 The Operator will promptly notify the Scottish Ministers or, at the direction of the Scottish Ministers, the Incoming Operator, of any notice to terminate employment given by the Operator or received from any persons listed on the Operator's Provisional Staff List regardless of when such notice takes effect.
- 2.6 During the Grant Period, the Operator will provide to the Scottish Ministers any information the Scottish Ministers may reasonably require relating to any individual

employed, assigned or engaged in providing the Services (subject to any limitations imposed by the Data Protection Legislation) including without limitation the Staffing Information and, upon reasonable request by the Scottish Ministers and subject only to any limitation imposed by the Data Protection Legislation, the Operator will provide the Scottish Ministers or at the request of the Scottish Ministers, the Incoming Operator, with access (on reasonable notice and during normal working hours) to such employment records as the Scottish Ministers reasonably requests and will allow the Scottish Ministers or any Incoming Operator to have copies of any such documents.

2.7 Within seven (7) Working Days following the Service Transfer Date, the Operator will provide to the Scottish Ministers or any Incoming Operator, in respect of each person on the Operator's Final Staff List who is a Transferring Operator Employee:

- 2.7.1 the most recent Month's copy pay slip data;
- 2.7.2 details of cumulative pay for tax and pension purposes;
- 2.7.3 details of cumulative tax paid;
- 2.7.4 tax code;
- 2.7.5 details of any voluntary deductions from pay; and
- 2.7.6 bank/building society account details for payroll purposes.

### 3. **TRANSFER OF STAFF ON TERMINATION OR EXPIRY**

3.1 The Scottish Ministers and the Operator will proceed on the basis that the commencement of the provision of the Services by the Incoming Operator under a New Contract will be a "Service Transfer". The Scottish Ministers and the Operator further agree that, as a result of the operation of Employment Regulations, the Service Transfer will be a relevant transfer and the contracts of employment between the Operator and the Transferring Operator Employees (except in relation to any contract terms relating to occupational pension schemes) will have effect from the Service Transfer Date as if originally made between the Incoming Operator and each such Transferring Operator Employee.

3.2 The Operator shall, and shall procure that any subcontractor shall, perform and discharge all its obligations in respect of all the Transferring Operator Employees up to the Service Transfer Date and any necessary apportionments in respect of any

periodic payments due to them will be made. The Operator shall indemnify the Scottish Ministers for itself and on behalf of any Incoming Operator against all Employee Liabilities arising from the Operator's, or any Subcontractors', failure to perform and discharge any such obligation.

3.3 The Operator shall indemnify the Scottish Ministers for itself and on behalf of any Incoming Operator against any Employee Liabilities in respect of the Transferring Operator Employees arising from or as a result of:

3.3.1 any act or omission by the Operator or any Subcontractor occurring before the Service Transfer Date;

3.3.2 any claim made by or in respect of any person employed or formerly employed by the Operator or any Subcontractor other than a Transferring Operator Employee for which it is alleged that the Scottish Ministers or any Incoming Operator may be liable by virtue of this Contract and/or Employment Regulations and/or the Acquired Rights Directive;

3.3.3 any claim made by or in respect of a Transferring Operator Employee or any appropriate employee representative (as defined in Employment Regulations) of any Transferring Operator Employee relating to any act or omission of the Operator or any Subcontractor in relation to its or their obligations under Employment Regulations whether occurring before, on or after the Service Transfer Date including any claim relating to its or their obligations under Regulation 13 of the Employment Regulations or in respect of an award of compensation under Regulation 15 the Employment Regulations of except to the extent that the liability arises from the Scottish Ministers' or any Incoming Operator's failure to comply with Regulation 13(4) of the Employment Regulations;

3.3.4 any statement communicated to or action undertaken by the Operator to, or in respect of, any Transferring Operator Employee on or before the Service Transfer Date regarding the Service Transfer which has not been agreed in advance with the Scottish Ministers in writing;

3.3.5 in relation to any proposed change by the Operator in the working conditions or terms of employment of any Transferring Operator Employees to take effect on or after the Service Transfer Date (including any claim for constructive dismissal), whether such change is proposed before, on or after the Service Transfer Date;



- 3.3.6 a failure of the Operator to discharge or procure the discharge of all wages, salaries and all other benefits and all PAYE tax deductions and National Insurance contributions relating to the Transferring Operator Employees in respect of the period on or before the Service Transfer Date;
- 3.3.7 in respect of any fact or matter concerning or arising from the Transferring Operator Employees employment, or the termination thereof, before the Service Transfer Date including any claim for a redundancy payment;
- 3.3.8 in relation to the breach or non-observance by the Operator during the period prior to the Service Transfer Date of any collective agreement or other custom or practice with a trade union or staff association in respect of any Transferring Operator Employees; and
- 3.3.9 any proceeding, claim or demand by the HMRC or other statutory authority in respect of any financial obligation including, but not limited to, PAYE and primary and secondary National Insurance contributions:
- a in relation to any Transferring Operator Employees, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising before the Service Transfer Date; and
- b in relation to any employee who is not a Transferring Operator Employees, and in respect of whom it is later alleged or determined that Employment Regulations applied so as to transfer his/her employment from the Operator to the Scottish Ministers or the Incoming Operator, to the extent that the proceeding, claim or demand by the HMRC or other statutory authority relates to financial obligations arising before the Service Transfer Date.
- 3.4 The Scottish Ministers shall indemnify the Operator against all Employee Liabilities arising from the Scottish Ministers, and shall procure that the Incoming Operator shall indemnify the Operator against all Employee Liabilities arising from the Incoming Operator's, failure to perform and discharge any obligation and against any Employee Liabilities in respect of the Transferring Operator Employee arising from or as a result of any act or omission by the Scottish Ministers or an Incoming Operator (as appropriate) relating to a Transferring Operator Employee occurring before, on or after the Service Transfer Date and/or any other matter, event or circumstance occurring or having its origin on or after the Service Transfer Date which would give

rise to a substantial change in working conditions of a Transferring Operator Employee to the material detriment of a Transferring Operator Employee.

- 3.5 The Scottish Ministers shall procure that the Incoming Operator shall indemnify the Operator against any claim made by or in respect of a Transferring Operator Employee or any appropriate employee representative (as defined in the Employment Regulations) of any Transferring Operator Employee relating to any act or omission of the Incoming Operator in relation to its obligations under the Employment Regulations whether occurring before, on or after the Service Transfer Date including any claim relating to its obligations under Regulation 13(4) of Employment Regulations except to the extent that the liability arises from any Operator's failure to comply with its obligations under Employment Regulations.
- 3.6 The Scottish Ministers shall indemnify the Operator against any claim made by or in respect of a Transferring Operator Employee or any appropriate employee representative (as defined in Employment Regulations) of any Transferring Operator Employee relating to any act or omission of the Scottish Ministers in relation to its obligations under the Employment Regulations whether occurring before, on or after the Service Transfer Date including any claim relating to its or their obligations under Regulation 13(4) of Employment Regulations except to the extent that the liability arises from the Operator's failure to comply with Regulation 13 of the Employment Regulations.
- 3.7 In the event of a Service Transfer to which Employment Regulations or the Acquired Rights Directive do not apply the following provisions shall apply:
- 3.7.1 The Scottish Ministers can, and shall advise the Incoming Operator that it can, in its discretion, make to any of the employees identified on the Operator's Provisional Staff List, an offer, in writing, to employ that employee under a new contract of employment to take effect on the Day after the cessation by the Operator of the provision of the Services (or the relevant part) in which such employee was employed.
- 3.7.2 When the offer has been made by the Scottish Ministers or Incoming Operator and accepted by any employee or worker, the Operator shall permit the employee or worker to leave its employment, as soon as practicable depending on the business needs of the Operator, which could be without the employee or worker having worked his full notice period, if the employee so requests.

3.7.3 If the employee does not accept an offer of employment made by the Scottish Ministers or Incoming Operator, or no such offer is made, the employee shall remain employed by the Operator (and all Employee Liabilities in relation to the employee shall remain with the Operator and the Operator shall indemnify the Scottish Ministers for itself and on behalf of any Incoming Operator against any Employment Liabilities that either of them may incur in respect of any such employees of the Operator.

Signed for and on behalf of the Scottish Ministers

Signed for and on behalf of Calmac Ferries Ltd

Signature.....

Signature.....

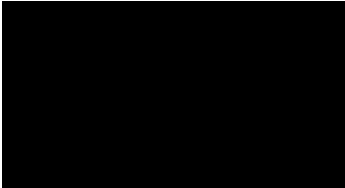
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to be completed during Mobilisation

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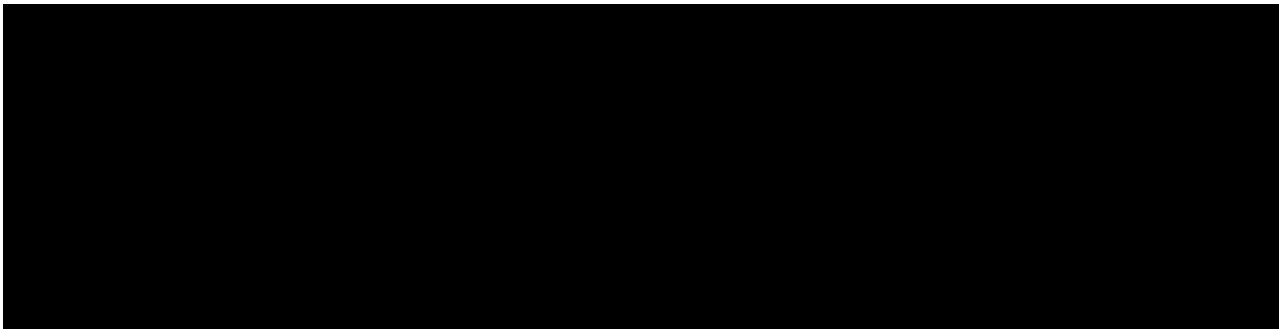
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**SCHEDULE 12 - INITIAL BASE CASE**

This and the following pages 819- 821 comprise Schedule 12 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

**INITIAL BASE CASE SCHEDULE****INITIAL BASE CASE**

**The Base Case shall be independently audited**

**Placing the Financial Model on Deposit**

A certified copy of the full financial model (the Base Case) submitted with the final tender shall be provided in CD/DVD format in a secure container which is sealed and dated and shall be submitted within one week of the execution of the contract to Transport Scotland who will hold it securely for the Scottish Ministers until such time as a Revised Base Case Recalculation is to be undertaken, at which point it shall be jointly opened by the Scottish Ministers and the Operator.

Where the assumptions and inputs into the financial model require to be changed to update the model in accordance with the provisions in the contract for a Revised Base Case Recalculation, then a revised model shall be created and submitted to Transport Scotland within one week of agreement of the Revised Base Case by the Scottish Ministers under similar terms.

**Draft Fuel Management Programme**

The fuel Management Programme will retain the format of the Draft Fuel Management Programme below:

[Redacted content consisting of multiple paragraphs of blacked-out text, including bulleted points and numbered lists.]

[REDACTED]

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 12



Signed for and on behalf of the Scottish  
Ministers

Signature.....

Signed for and on behalf of Calmac  
Ferries Ltd

Signature.....



Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 12

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 12

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**SCHEDULE 13 – GRANT PAYMENT AND FINANCIAL DISTRESS**

This and the following pages 825- 841 comprise Schedule 13 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

**PART A: GRANT PAYMENT****1. Payment of Monthly Instalments**

- 1.1 Following the completion of the first month's Services the Operator must submit to the Scottish Ministers a Grant Claim Form in a form to be agreed by the Scottish Ministers for the first monthly instalment of the Grant. Where the details of the Grant Claim Form are agreed by the Scottish Ministers, then payment will be made to the Operator within 10 Business Days of receipt. A Grant Claim Form must be submitted monthly in arrears thereafter.
- 1.2 Where parts of the Grant Claim Form are not agreed or the Scottish Ministers believe that a deduction should be made under the terms of the Contract then a notice specifying the elements not agreed or the deduction being applied will be issued to the Operator. Payment will be made of any undisputed amounts of the Grant within 10 Business Days of receipt of the Grant Claim Form whereas any disputed amount (or such amount as is adjudged or resolved to be payable) shall be paid within 10 Business Days after the date the dispute is resolved or determined.
- 1.3 If any parts of a monthly Grant Claim Form are not agreed then this will be resolved through the Disputes Resolution Procedure.
- 1.4 The Scottish Ministers will pay the Charter Portion into the Operator's Revenue A Account, the Rent Portion into the Vessel Account and the balance of the Monthly Instalment (if any) into the Operator's Revenue B Account. If in any Month the Charter Portion and the Rent Portion are greater than the Monthly Instalment the Charter Portion and Rent Portion will nonetheless be paid into the Operator's Revenue A Account and the Vessel Account respectively and Paragraph 1.7 will apply
- 1.5 Notwithstanding any other provision in this Contract the Scottish Ministers will pay all Charter Portions and Rent Portions in full and without any deduction or withholding in respect of set off, compensation, retention, counterclaim or any matter whatsoever

(including without limitation and for the avoidance of doubt, the circumstances set out in Paragraph 1.6, Clauses 19, 22, and 54.1.3).

- 1.6 The Scottish Ministers are not obliged to pay any part of a Monthly Instalment due to be paid into the Operator's Revenue B Account where, as at the due date for payment, an Event of Default (or event which with the giving of notice, lapse of time or other condition may constitute an Event of Default) has occurred. The Scottish Ministers may at their discretion pay the Grant or any part of a Monthly Instalment due to be paid into the Operator's Revenue B Account or any part thereof notwithstanding, and without waiving, any such Event of Default and without prejudice to its rights and remedies in respect of any such Event of Default.
- 1.7 In the event that pursuant to Paragraph 1.4 the Scottish Ministers, in any Month, make payment of a Charter Portion and/or Rent Portion which exceeds the Monthly Instalment then so much of the Charter Portion and/or Rent Portion as exceeds the Monthly Instalment will be an advance payment of Grant and be compensated by the Scottish Ministers by adjusting any subsequent Monthly Instalment.
- 1.8 In the event that pursuant to the Tripartite Agreement the Scottish Ministers shall remit to CMAL the amount stated in a Notice of Non-Payment (as defined in the Tripartite Agreement) then the amount so remitted to CMAL by the Scottish Ministers shall be an advance payment of Grant and if not reimbursed to the Scottish Ministers on demand shall be compensated by the Scottish Ministers by adjusting any subsequent Monthly Instalment.

## **2. The Revised Base Case**

- 2.1 The Base Case shall be revised following the first Service Year as follows:
- 2.1.1 Those volumes of passengers, vehicles and loose freight which were specified in the Initial Base Case by the Scottish Ministers will be replaced for the second and subsequent years by the actual volumes of passengers, vehicles and loose freight during the first Service Year and these actual volumes will be used in the calculation of the Revenue and costs which are determined by a fee multiplied by the number of passengers or vehicles.
- 2.2 The Base Case for the second and subsequent Service Years shall be revised. For the second and subsequent Service Years, the Operating Costs in the Base Case [with the exception of Charter Portion costs within the Vessel Spreadsheet which

shall be deemed to have been included in the Initial Base Case at nominal prices] will be Index Linked along with the Revenue, with the exception of fares which shall be Tariff Index Linked. Any changes that arise from a prior Base Case Recalculation under section 3 shall be included in the Revised Base Case for the second and subsequent years.

- 2.3 The Operator shall submit to Scottish Ministers a preliminary draft Revised Base Case as soon as possible and in any event no later than [two months] after the expiry of the relevant Service Year. The Operator must also submit such information and supporting documentation as the Scottish Ministers may request.
- 2.4 If the Scottish Ministers agree the finalised draft Revised Base Case as submitted by the Operator, or with variations agreed with the Operator, then the finalised draft Revised Base Case (with any relevant variations) will come into effect as the Revised Base Case. If the Scottish Ministers and the Operator do not agree any items in the finalised draft Revised Base Case within 10 Business Days of submission of the finalised draft Revised Base Case then the matter shall be referred by Scottish Ministers to be resolved in accordance with the Dispute Resolution Procedure. The finalised draft Revised Base Case will not come into effect as the Revised Base Case (with such amendments as are adjudged or resolved to be made) until any such dispute is resolved or determined.
- 2.5 Until such time as each Revised Base Case is agreed in accordance with paragraph 2.4 above, then provisional Monthly Instalments shall be paid to the Operator equivalent to the Monthly Instalments due in respect of the same Months during the preceding Service Year ascertained by reference to the Base Case or Revised Base Case in effect for that year. Once the Revised Base Case is agreed, any amount due to or from the Operator, being the difference (if any) between the Monthly Instalments paid and the Monthly Instalments due for that Service Year to date, shall be paid or recovered by an adjustment to the Monthly Instalment due for the next Month (or any subsequent Month, if and to the extent that paragraph 1.7 applies).

### 3. Revised Base Case Recalculation

- 3.1 In the event that at any time or from time to time during any Service Year:
- 3.1.1 the Scottish Ministers specify that a Revised Tariff Structure or part thereof shall become the Published Tariff during any Service Year or there shall be a Discount Policy Variation and such Revised Tariff Structure or Discount Policy has not been allowed for in the Base Case for that Service Year; or

- 3.1.2 the level of reimbursements received by the Operator in connection with the provision of the Services through the Scottish Government's Concessionary Travel scheme are reduced without an equivalent increase in the Published Tariff being authorised by the Scottish Ministers; or
- 3.1.3 pursuant to the terms of the Ship Charters, the sums payable under the Ship Charters are varied (whether on account of Tonnage Tax or otherwise) and such variation has not been allowed for in the relevant Base Case; or
- 3.1.4 the Operator receives notice that the dues payable at any of the Ports or Harbours shall increase during any Service Year and such increase has not been allowed for in the Base Case for that Service Year; or
- 3.1.5 a Fleet Vessel is removed or a New Vessel is delivered or scheduled to be delivered to the Operator by CMAL to be employed in the provision of the Services and the removal of the Fleet Vessel or coming into service of the New Vessel was not allowed for in the Base Case for the relevant Service Year or was allowed for but the Fleet Vessel was not removed or the New Vessel does not come into service within 30 days of the date assumed for the purposes of such Base Case, or at any time or from time to time within 12 months of the New Vessel coming into service the New Vessel is not performing according to specification; or
- 3.1.6 there is a change in Applicable Law such that as a consequence of such change the Operator incurs an unavoidable material change in its Operating Costs or is reasonably likely to experience an unavoidable material change in Revenue; or
- 3.1.7 additional, altered or removed sailings from the Scheduled Ferry Service have been authorised by the Scottish Ministers; or
- 3.1.8 the Scottish Ministers have approved changes to the Unscheduled Ferry Services or the scope of associated lifeline services within Schedule 3; or
- 3.1.9 A Material Reduction in Revenue has occurred: revenue for a relevant Service Year had fallen by at least 10% in real terms from the Revenue in the preceding Service Year; and Revenue can reasonably be forecast to continue at levels at least 10% in real terms below that in the preceding Service Year for subsequent Service Years; or
- 3.1.10 There are changes to the employers pension contribution rates; or

3.1.11 There are material changes to costs or revenues resulting from the operational deployment or use any new Transferring Asset,

then either Party shall be entitled to require a Revised Base Case Recalculation for the current and subsequent Service Years.

3.2 A Revised Base Case Recalculation shall be subject to the following provisions:

3.2.1 with regard to paragraph 3.1.2 ,the Operator (i) has not in any way contributed to such reduction in reimbursements and (ii) has taken all reasonable steps to mitigate the consequences of such reduction in reimbursements;

3.2.2 only the relevant Operating Costs and or Revenue assumptions in the current Base Case shall be adjusted to take account of the effect of the matters set out at paragraphs 3.1.1 to 3.1.11 or any of them;

3.2.3 with regard to paragraph 3.1.4, that the Operator (i) has not in any way contributed to such increase in Port or Harbour dues and (ii) has taken all reasonable steps to mitigate the consequences of such increase in Port or Harbour dues which shall include but not be limited to requesting from the Harbour authority the full justification for the increase and an explanation of any investment funded thereby and submitting any such justification and explanation to the Scottish Ministers and shall pursue any action reasonably requested by the Scottish Ministers until the Scottish Ministers are satisfied that the increases are reasonable and have been applied in good faith and that (iii) any increase in Port or Harbour dues does not relate to any reduction in the number of carryings;

3.2.4 with regard to paragraph 3.1.5, only actual information regarding costs directly associated with procuring and taking delivery of the New Vessel from the 30<sup>th</sup> day after the assumed date of delivery including inter alia all costs relating to pre-delivery surveys, inspections, superintendence, supernumeraries and delivery costs or the rearrangement of the same (so far as not allowed for in the Base Case), as the case may be, and variations in Operating Costs and Revenue consequent on the coming into service of the New Vessel and any deployment of a Cascaded Vessel shall, so far as known or reasonably foreseeable, be incorporated;

- 3.2.5 with regard to paragraph 3.1.9, the Operator (i) has not in any way contributed to such material difference in Revenue and (ii) has taken all reasonable steps to mitigate the consequences of such material difference in Revenue, including full consideration of all possible variations to the Services (including but not limited to the Fares, Timetable and Vessel deployment).
- 3.3 If the Scottish Ministers agree the Revised Base Case Recalculation then the Revised Base Case Recalculation will come into effect as the Revised Base Case for the relevant Service Year. If the Scottish Ministers and the Operator do not agree any items in the Revised Base Case Recalculation within 10 Business Days of submission of the Revised Base Case Recalculation then the matter may be referred by either Party to be resolved in accordance with the Dispute Resolution Procedure.
- 4. Actual Outcome Statement**
- 4.1 As soon as possible and in any event within 2 Months after the expiry of each Service Year, the Operator will submit a draft Actual Outcome Statement to the Scottish Ministers which must be prepared in accordance with this paragraph 4.
- 4.2 The draft Actual Outcome Statement will show:
- 4.2.1 the actual Operating Costs, actual Fuel Costs and actual Revenue for that Service Year set out in the same format as the Base Case Schedule for that Service Year;
- 4.2.2 the difference between Grant payments made in respect of that Service Year for the Operating Costs and Fuel Costs, less Revenue and the actual Operating Costs and Fuel Costs, less actual Revenue;
- 4.2.3 the amount the Operator considers he is entitled to be paid as Outcome Operator's Return; and
- 4.2.4 the difference between payments made in the Service Year for the Operator's Return and the entitlement to the Operator's Return under paragraphs 5.3 and 5.4.
- 4.3 The draft Actual Outcome Statement for each Service Year must be prepared using the actual Operating Costs, Fuel Costs, Revenue and the Outcome Operator's Return of the Operator for that Service Year except that:



- 4.3.1 no adjustment will be made to the Operating Costs or the Revenue in respect of any Performance Deductions or in respect of any fines or penalties incurred by the Operator;
  - 4.3.2 no allowance will be made for any reduction in Revenue arising from the Operator allowing concessions or discounts which have not been provided for in the Base Case or consented to by the Scottish Ministers or otherwise reducing or not applying the Published Tariff;
  - 4.3.3 no account will be taken of the costs of any reference to the Expert;
  - 4.3.4 the Published Tariff will be assumed to have been adjusted by RET Formula or Tariff Index Linked as appropriate and rounded up on every applicable occasion unless agreed otherwise by the Scottish Ministers;
  - 4.3.5 adjustments to the Operating Costs in respect of increased wages or salaries will be limited to the Index Linked increase of the wages and/or salaries allowed for in the applicable Service Year;
  - 4.3.6 no adjustment will be made to any interest charges (except so far as reasonably arising from changes in interest rates during the relevant Service Year) made or provided;
  - 4.3.7 if any reduction in the Operating Costs is attributable to the deferring of scheduled expenditure or arises from a breach by the Operator of his obligations under this Contract then the Grant must be reduced by an amount equal to such reduction;
  - 4.3.8 no allowance shall be made for any Operator Employment Liabilities and
  - 4.3.9 no provision will be made for the cost of acquisition or improvement of Transferring Assets or for Capital Supplements.
- 4.4 The draft Actual Outcome Statement must be submitted to the Scottish Ministers together with such supporting vouchers, reports and other documentation as the Scottish Ministers may reasonably require for the purpose of substantiating the Actual Outcome Statement. If the Scottish Ministers agree the draft Actual Outcome Statement as submitted or with variations agreed with the Operator then the Actual Outcome Statement will come into effect. If the Scottish Ministers and the Operator do not agree any item in the Actual Outcome Statement within 10 Business Days of submission of the draft Actual Outcome Statement the Scottish Ministers must refer such dispute to the Dispute Resolution Procedure.

4.5 The Actual Outcome Statement will be used only for the purpose of establishing the Excess Payment and the Varied Reward.

## 5. Annual Grant Reconciliations

### Reconciliation of Operating Costs and Revenues

5.1 If, in the agreed Actual Outcome Statement the parts of Grant payments made in the relevant Service Year for the Operating Costs, less Revenue exceed the actual Operating Costs, less actual Revenue then the difference will be deemed to be the Excess Payment. (For the avoidance of doubt, if in any Service Year Grant payments made in the Service Year for the Operating Costs, less Revenue are less than the actual Operating Costs, less actual Revenue then the Excess Payment will be deemed to be nil.);

5.2 The Sum Due to the Scottish Ministers is the net Excess Payment minus the Varied Reward. Where this is positive, the Operator must repay the Sum Due to the Scottish Ministers within 20 Business Days of the Actual Outcome Statement being agreed or determined as the case may be and the Excess payment if not repaid as aforesaid may be deducted (in whole or in part) by the Scottish Ministers from any subsequent Monthly Instalment.

### Calculation of Varied Reward

5.3 Where the Excess Payment has arisen as a result of reductions in Eligible Costs and/or an increase in Eligible Revenue then the Varied Reward shall be calculated as set out in paragraph 5.4. The Excess Payment to be taken into account for the purposes of calculating the Varied Award (“the Eligible Excess Payment” or “EEP”) is the value of the actual Eligible Cost savings and/or the value of any increase in Eligible Revenue.

5.4 The Varied Reward shall be the proportion of the Eligible Excess Payment as set out below:

If the Eligible Excess Payment is		Entitlement to Varied Reward as a proportion of the Eligible Excess Payment
More than	But not more than	
£0	£200,000	75%
£200,000	£400,000	$\text{£}(\text{EEP} - 200,000) \times 50\% + 150,000$
£400,000	£600,000	$\text{£}(\text{EEP} - 400,000) \times 25\% + 250,000$

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£600,000		£(EEP- 600,000)x10% + 300,000
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### Reconciliation of Fuel Costs

- 5.5 The Operator shall be under an obligation to take all reasonable steps to procure the fuel used for the Services on the best terms available to the Operator which shall not depart materially from the terms normally negotiated with the Operator's suppliers across the Operator's activities, and which may include where agreed by the Scottish Ministers entering into a fuel cap contract with a supplier whereby the Operator is assured that it will not have to pay more than a stated price for fuel. Where the procurement of fuel involves the receipt of a discount or payment of a commission to the Operator, then that discount or commission in relation to the fuel used for the services shall be deducted from the cost of the fuel submitted in the Monthly Fuel Statement and Annual Fuel Statement.
- 5.6 The Operator must submit to the Scottish Ministers within 14 days of the end of each Month a Monthly Fuel Statement accompanied by copies of relevant invoices and delivery notes. The Monthly Fuel Statement must show the Projected Fuel Liability for that month by grade and by vessel, and the actual cost incurred by the Operator in purchasing each grade of fuel used by each Vessel for that month.
- 5.7 The Operator must submit to the Scottish Ministers a draft Annual Fuel Statement within two Months after the expiry of each Service Year together with such supporting vouchers reports and other documentation as the Scottish Ministers may reasonably require, including the Monthly Fuel Statements, for the purpose of substantiating the Annual Fuel Statement. If the Scottish Ministers agree the draft Annual Fuel Statement as submitted or with variations agreed with the Operator then the Annual Fuel Statement will come into effect for the purpose of establishing the Annual Fuel Reconciliation Payment. If the Scottish Ministers do not agree any item in the Fuel Statement within 10 Business Days of submission of the draft Annual Fuel Statement then the Scottish Ministers shall refer such dispute to the Expert in accordance with Clause 23.
- 5.8 The Annual Fuel Statement must show the cost of purchasing the fuel used by applying the Average Price per Litre (or for electricity the Average Price per KW Hour) paid to the actual Volume (litres or KW Hours) used by the Operator for each grade of fuel used for the relevant Service Year (the Fuel Cost). The Average Price per Litre or KW Hour will be derived from the total quantity of each grade of fuel

purchased by the Operator during that Service Year and the total delivered price paid by the Operator for each grade of fuel in that Service Year.

- 5.9 The Annual Fuel Reconciliation Payment will be itemised in the Annual Fuel Statement and shall be the multiple of the actual Volume (litres or KW Hours) used and the difference between the Average Price per Litre and the price per litre or the Average Price per KW Hour and the price per KW Hour stated in the Fuel Management Plan for each grade of fuel in that Service Year , or in a situation where there has been more than one Fuel Management Plan issued during a Service Year the calculation will be undertaken for each period during which each Fuel Management Plan was used to calculate the Monthly Instalment of the Grant and shall be the multiple of the actual Volume (litres or KW Hours) used during that period and the difference between the Average Price per Litre and the price per litre or the Average price per KW Hour and the price per KW Hour stated in the relevant Fuel Management Plan for each Fuel Management Plan in that Service Year applied for each grade of fuel.
- 5.10 The Annual Fuel Reconciliation Payment will be paid to or by the Scottish Ministers within 20 Business Days of the Annual Fuel Statement being agreed or determined as the case may be. If due by the Scottish Ministers will be paid to the Operators' Revenue B Account and if due by the Operator and not paid in accordance with Paragraph 5.9, may be deducted by the Ministers from any subsequent payment to the Operators Revenue B Account.
- 5.11 If during the Grant Period the Operator permanently replaces any of the Vessels in accordance with Clause 6 (with the consent of the Scottish Ministers), and/or if a Variation to the Services comes into effect, the Projected Volume must be amended to reflect any changes in fuel consumption.

#### **Performance Deductions**

- 5.12 Without prejudice to and in addition to the rights of the Scottish Ministers under any other provisions of this Agreement, where the Operator has failed to meet any of the Performance Measures, the Scottish Ministers may make deductions (Performance Deductions) in accordance with the Performance Regime. The Scottish Ministers must notify the Operator of its liability to Performance Deductions, but any delay or failure to notify shall not impair the right of the Scottish Ministers to make Performance Deductions.

- 5.13 The Scottish Ministers are entitled to recover Performance Deductions by way of deduction from the Monthly Instalment payable in any Month after the Quarter in respect of which the Performance Deductions arose. Any Performance Deductions which remain unrecovered after the Termination Date or the Expiry Date (as the case may be) will be a debt due and owing to the Scottish Ministers.
- 5.14 No Performance Deductions under Paragraph 5.12 may be made where the failure to meet any Performance Measure is directly attributable to a Relief Event.
- 5.15 If the Scottish Ministers make a Performance Deduction for a failure to meet the Performance Measure for Reliability, they must not make a Performance Deduction for a failure to meet the Performance Measure for Punctuality (Connectivity) or the Performance Measure for Punctuality (Timetable) if all failures arise from the same circumstances and vice versa.
- 5.16 If the Scottish Ministers make a Performance Deduction for a failure to meet the Performance Measure for Punctuality (Connectivity), they must not make a Performance Deduction for a failure to meet the Performance Measure for Punctuality (Timetable) if both failures arise from the same circumstances and vice versa.

## **6. Capital Supplements**

- 6.1 The Scottish Ministers may make advances by way of grant (a Capital Supplement) to the Operator towards the provision or improvement of Transferring Assets agreed to be acquired or improved by the Operator for the purposes of the Services calculated and paid in accordance with this Paragraph 6.
- 6.2 The Operator may submit to the Scottish Ministers at any time a proposal for the acquisition or improvement of Transferring Assets and such proposal will contain such detail of the assets, their purpose, cost and terms and conditions of acquisition or improvement as may be reasonably required to enable the Scottish Ministers to evaluate the proposal.
- 6.3 In the event that the Scottish Ministers approve the proposal for the acquisition or improvement of the Transferring Assets, and such approval may be subject to such conditions as the Scottish Ministers may reasonably determine, they must advise the Operator and the issue of such approval will oblige the Scottish Ministers to pay a Capital Supplement to the Operator in respect of the Transferring Assets equal to the approved cost to the Operator of the Transferring Assets.

6.4 Capital Supplements will be paid by instalments or in a lump sum according to the Operator's contract for the acquisition or improvement of the Transferring Assets. The Operator will include the Capital Supplement in the Monthly Instalment and submit to the Scottish Ministers a certified copy of each receipt for payment in connection with Transferring Assets not less than 14 days before the due date for payment of the Monthly Statement and the Scottish Ministers will pay the Capital Supplement by way of lump sum or instalment (as the case may be) to the Operator as part of the Monthly Instalment. For the avoidance of doubt the Capital Supplement will not be a part of nor included in the Operating Costs.

6.5 Capital Supplements will be paid to the Operator's Revenue B Account.

## **7. TUPE**

7.1 If it is found after the Commencement Date that TUPE does not (as a matter of law) apply the Grant will be reduced from what would otherwise be payable by the equivalent to any reductions in the Operator's costs as a consequence of that finding. Similarly, if it is found on termination of the PSC that TUPE does not (as a matter of law) apply, there will be an adjustment to the Base Case for the benefit of the Operator for the final Service Year to take into account any statutory redundancy payment costs incurred by it as a result and which exceed the sum of the greater of either (i) the Operator's Return for the final year of the PSC or (ii) £250,000.

**PART B: FINANCIAL DISTRESS****1. BACKGROUND**

1.1 This schedule provides for the assessment of the financial standing of the Operator and the establishment of trigger events relating to changes in such financial standing which if breached will have specified consequences.

**2. CREDIT RATING AND DUTY TO NOTIFY**

2.1 The Operator warrants and represents to the Scottish Ministers for the benefit of the Scottish Ministers that as at the Mobilisation Date the long term credit ratings issued for the Operator by the Rating Agencies are set out in the Appendix to this Schedule 13 Part B.

2.2 The Operator shall maintain the credit ratings as set out in this schedule.

2.3 The Operator shall promptly notify (or shall procure that its auditors promptly notify) the Scottish Ministers in writing if it cease to have their credit ratings (and in any event within ten (10) Business Days of ceasing to have such credit ratings).

2.4 The Operator shall:

2.4.1 regularly monitor the Operator's credit ratings with the Rating Agencies; and

2.4.2 promptly notify (or shall procure that its auditors promptly notify) the Scottish Ministers in writing following the occurrence of a Financial Distress Event, or any fact, circumstance or matter which could cause a Financial Distress Event (and in any event, ensure that such notification is made within ten (10) Business Days of the date on which the Operator first becomes aware of the Financial Distress Event, or the fact, circumstance or matter which could cause a Financial Distress Event.

2.5 Where the Operator's credit ratings provided by the Rating Agencies listed above in Para 2.1 differ, for the purposes of the Financial Distress Events, the relevant Credit Rating Threshold shall be determined by reference to the lower credit rating.

**3. CONSEQUENCES OF A FINANCIAL DISTRESS EVENT**

3.1 In the event of:

3.1.1 the Operator's credit ratings dropping one or more levels below the Credit Rating Threshold;

- 3.1.2 the Operator issuing a profits warning to a stock exchange or making any other public announcement about a material deterioration in its financial position or prospects;
- 3.1.3 there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of the Operator; or
- 3.1.4 the Operator committing a material breach of covenants to its lenders;
- 3.1.5 a subcontractor notifying the Scottish Ministers that the Operator has not satisfied any material sums properly due under a specified invoice and not subject to a genuine dispute; or
- 3.1.6 any of the following:
- 3.1.7 commencement of any litigation against the Operator with respect to financial indebtedness or obligation under a service contract;
- 3.1.8 non-payment by the Operator of any financial indebtedness;
- 3.1.9 any financial indebtedness of the Operator becoming due as a result of an event of default; or
- 3.1.10 the cancellation or suspension of any financial indebtedness in respect of the Operator,  
  
which the Scottish Ministers reasonably believes could impact on the continued performance and delivery of the Services in accordance with this Contract;

then, immediately upon notification of the Financial Distress Event (or if the Scottish Ministers becomes aware of the Financial Distress Event without notification and brings the event to the attention of the Operator), the Operator shall have the obligations and the Scottish Ministers shall have the rights and remedies as set out in paragraphs [3.3] – [3.6].

- 3.2 In the event of a late or non-payment of a subcontractor pursuant to paragraph [3.1.5], the Scottish Ministers shall not exercise any of its rights or remedies under paragraph [3.3] without first giving the Operator ten (10) Business Days to:
  - 3.2.1 rectify such late or non-payment; or
  - 3.2.2 demonstrate to the Scottish Ministers' reasonable satisfaction that there is a valid reason for late or non-payment.



3.3 The Operator shall:

3.3.1 at the request of the Scottish Ministers meet with the Scottish Ministers as soon as reasonably practicable (and in any event within three (3) Business Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Scottish Ministers may permit and notify to the Operator in writing) to review the effect of the Financial Distress Event on the continued performance and delivery of the Services in accordance with this Contract; and

3.3.2 where the Scottish Ministers reasonably believes (taking into account the discussions and any representations made under paragraph 3.3.1) that the Financial Distress Event could impact on the continued performance and delivery of the Services in accordance with this Contract

submit to the Scottish Ministers for its approval, a draft Financial Distress Service Continuity Plan as soon as reasonably practicable (and in any event, within ten (10) Business Days of the initial notification (or awareness) of the Financial Distress Event or such other period as the Scottish Ministers may permit and notify to the Operator in writing); and

provide such financial information relating to the Operator as the Scottish Ministers may reasonably require.

3.4 The Scottish Ministers shall not withhold its approval of a draft Financial Distress Service Continuity Plan unreasonably. If the Scottish Ministers does not approve the draft Financial Distress Service Continuity Plan it shall inform the Operator of its reasons and the Operator shall take those reasons into account in the preparation of a further draft Financial Distress Service Continuity Plan, which shall be resubmitted to the Scottish Ministers within five (5) Business Days of the rejection of the first draft. This process shall be repeated until the Financial Distress Service Continuity Plan is approved by the Scottish Ministers or referred to the Dispute Resolution Procedure under paragraph [3.5].

3.5 If the Scottish Ministers considers that the draft Financial Distress Service Continuity Plan is insufficiently detailed to be properly evaluated, will take too long to complete or will not remedy the relevant Financial Distress Event, then it may either agree a further time period for the development and agreement of the Financial Distress Service Continuity Plan or escalate any issues with the draft Financial Distress Service Continuity Plan using the Dispute Resolution procedure.

3.6 Following approval of the Financial Distress Service Continuity Plan by the Scottish Ministers, the Operator shall:

3.6.1 on a regular basis (which shall not be less than monthly), review the Financial Distress Service Continuity Plan and assess whether it remains adequate and up to date to ensure the continued performance and delivery of the Services in accordance with this Contract;

3.6.2 where the Financial Distress Service Continuity Plan is not adequate or up to date in accordance with paragraph [3.6.1], submit an updated Financial Distress Service Continuity Plan to the Scottish Ministers for its approval, and the provisions of paragraphs [3.4] and [3.5] shall apply to the review and approval process for the updated Financial Distress Service Continuity Plan; and

3.6.3 comply with the Financial Distress Service Continuity Plan (including any updated Financial Distress Service Continuity Plan).

3.7 Where the Operator reasonably believes that the relevant Financial Distress Event under paragraph 3.1 (or the circumstance or matter which has caused or otherwise led to it) no longer exists, it shall notify the Scottish Ministers and the parties may agree that the Operator shall be relieved of its obligations under paragraph 3.6.

#### 4. **TERMINATION RIGHTS**

4.1 The Scottish Ministers shall be entitled to terminate this Contract under clause 55 if:

4.1.1 the Operator fails to notify the Scottish Ministers of a Financial Distress Event in accordance with paragraph 2.4; and/or Clause 52.1

4.1.2 the parties fail to agree a Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with paragraphs 3.3 to 3.5 and/or Clause 53.1.8.

4.1.3 the Operator fails to comply with the terms of the Financial Distress Service Continuity Plan (or any updated Financial Distress Service Continuity Plan) in accordance with paragraph 3.6.3 and/or Clause 53.1.8.

#### 5. **PRIMACY OF CREDIT RATINGS**

5.1 Without prejudice to the Operator's obligations and the Scottish Ministers' rights and remedies under paragraphs 3 or Clause 6.2, if, following the occurrence of a Financial Distress Event pursuant to paragraphs 3.1.2 to 3.1.6 the Rating Agencies

review and report subsequently that the credit ratings do not drop below the relevant Credit Rating Threshold, then:

- 5.1.1 the Operator shall be relieved automatically of its obligations under paragraphs 3.3 to 3.6 and/or Clause 6.2; and
- 5.1.2 the Scottish Ministers shall not be entitled to require the Operator to provide financial information in accordance with paragraph 3.3 or Clause 6.2.

**APPENDIX TO SCHEDULE 13 PART B: CREDIT RATING THRESHOLDS**

<b>Ratings Agency</b>	<b>Credit Ratings</b>
██████████	██
██████	██

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 13

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Contract for Provision of Ferry Services  
Schedule 13

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## **SCHEDULE 14 – OPERATIONAL MANAGEMENT**

This and the following pages 845- 949 comprise Schedule 14 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

### **PART A: OPERATIONAL MANAGEMENT SYSTEMS**

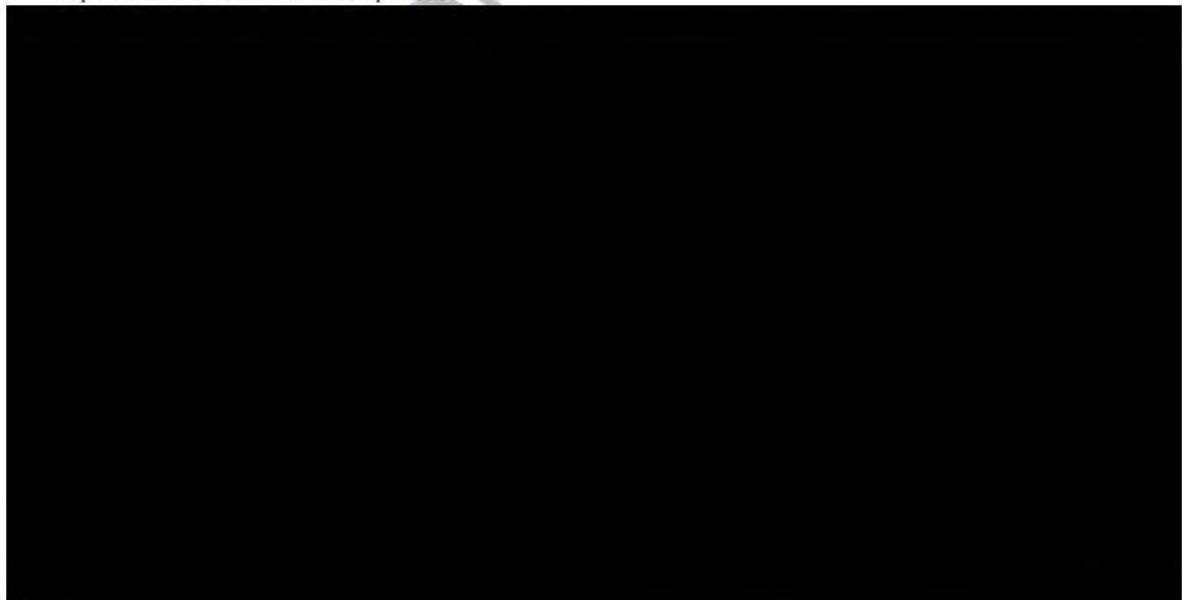
**The Operator shall comply with the following Operational Management Systems:**

#### **2.1 Operational Management Methodology**

##### **Executive Summary**

###### **Well managed control environment providing assurance for streamlined service delivery and reporting**

The key to CalMac Ferries Limited's (CFL's) successful control of the conduct of the management of our services has been through appropriate governance, Board decision-making capability and well-structured line management policies. Procedures are clearly understood by all staff and our Managing Director (MD) and Board will continue to provide ethical and behavioural leadership, with Transport Scotland represented on our Group Board.



[Redacted]

[Redacted]

[Redacted]

[Redacted]

[Redacted]

[REDACTED]

The component parts of our Group Management System are certified to meet the requirements of appropriate ISO standards and adhere to the International Safety Management (ISM) Code. As a continually improving business we are upgrading our systems to ensure we comply early with the yet to be published ISO 2015 standards, and will incorporate the ISO 50001 Energy Management System, ISO 45001 Occupational Health and Safety Management System, and align to the principles of BS 8903 for sustainable procurement.

For the new Contract we will raise the profile of our existing staff suggestion scheme to recognise, through an internal awards programme, all successful ideas implemented across our network. In this way we will further embed innovation as an integral part of our culture and encourage continuous improvement.

Our proposals for standard management reports and their dissemination will ensure transparency and that performance is clearly reported in line with Transport Scotland requirements.

[REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]

## Information

### (i) Description of the systematic process to be adopted to control the conduct of the management of the Services

We are fully aware that without robust, comprehensive and effective systems in place to create an environment that enables the successful execution of our Contract with Transport Scotland, it will not be possible to effectively control the conduct of the management of the services. In order to provide assurance, we must continuously monitor performance to ensure our systematic approach remains effective.

CFL has a proven, paper-based system, which has effectively supported the management of the Service we currently provide. We are aware of dynamic cloud-based tools that will enhance our document management, enabling us to capture, manage and report information in real time, improving operational performance. Given the remote nature of many of the locations we serve, however, the issue of connectivity must not be overlooked.

During our preparation of this tender submission, we confirm that we have been looking at options for and, indeed, the feasibility of integrating cloud-based solutions for our Company Management System, engaging with several suppliers. We have highlighted below those risks and mitigation measures associated with adopting them for the new Contract.

<sup>2</sup> Legally reportable incidents in accordance with criteria of both the Marine Accident Investigation Branch and Health and Safety Executive.



Risk	Mitigation
<p>Compatibility problems associated with introducing new technology within an existing system.</p> <p>Impact: delayed integration of current and new systems could impact implementation to the new management system.</p>	<p>Pilot new tools in one location fully before rolling them out across the network to ensure they are robust.</p>
<p>Unreliable / intermittent internet connectivity experienced on occasion in remote locations could affect the performance of cloud-based solutions.</p> <p>Impact: service management system updates will occasionally be unavailable in remote locations.</p>	<p>Ensure the selected supplier is able to provide offline support:</p> <p>For e-mail users to be able to access / retain report forms offline with the facility to automatically re-upload them once internet connectivity resumes</p> <p>For mobile phone and tablet users to be able to access report forms offline for completion via a previously downloaded app and then, once completed, that they can be stored and submitted automatically, once internet connectivity resumes.</p> <p>Hard copy available offline</p>

### Detailed description of the systematic process

Our proven control environment used for the Service will be the mechanism for disseminating our commitment to ethical and honest behaviour, effective internal controls and financial reporting.

Information is the vehicle by which our control policies and procedures are introduced and reinforced within CFL; communication provides the conduit by which our employees are made aware of management commitment to them.

The systematic process we will use for controlling the conduct of the management of the Contract as described below. These include:

- » Our control structure
- » The control environment
- » Risk identification based on CFL process goals, in line with Transport Scotland priorities
- » Cyclical control activities consisting of:
  - Directive controls
  - Preventive controls
  - Monitoring by detective controls, internal and external audits
  - Corrective controls
- » Measurement and continuous improvement

We describe our systems in detail over the next few pages.

### Managing and mitigating risks

We have highlighted the most significant risks in the table below, together with our plan to mitigate them.

Risk	Mitigation
<p>Failure to effectively implement a systematic approach would result in under-performance</p>	<p>Implement a proven, detailed, systematic approach, with effective leadership, and clear lines</p>

Risk	Mitigation
against quality and safety objectives or breach of regulatory requirements. Impact: reduced customer satisfaction and potential inability to control the conduct of the management of the Services.	of governance. Ensure resources and infrastructure available to enable a smooth running and safe working environment for our people and customers.
Lack of adherence to policies / procedures risks a decline in performance. Impact: failure to meet performance statutory, regulatory and Contractual requirements.	Implement proven performance monitoring and measurement, supported by control mechanisms to ensure compliance, supported by audits, corrective measures and subsequent actions, as necessary.

**Control structure**

CFL’s Managing Director, Martin Dorchester and Board will continue to provide ethical and behavioural leadership for the new Contract, with adopted policies prepared by management for implementation. This leadership team, shown in Figure 2.1 (b), will also be responsible for authorising decision-making and operating with integrity, particularly in the handling of sensitive issues.

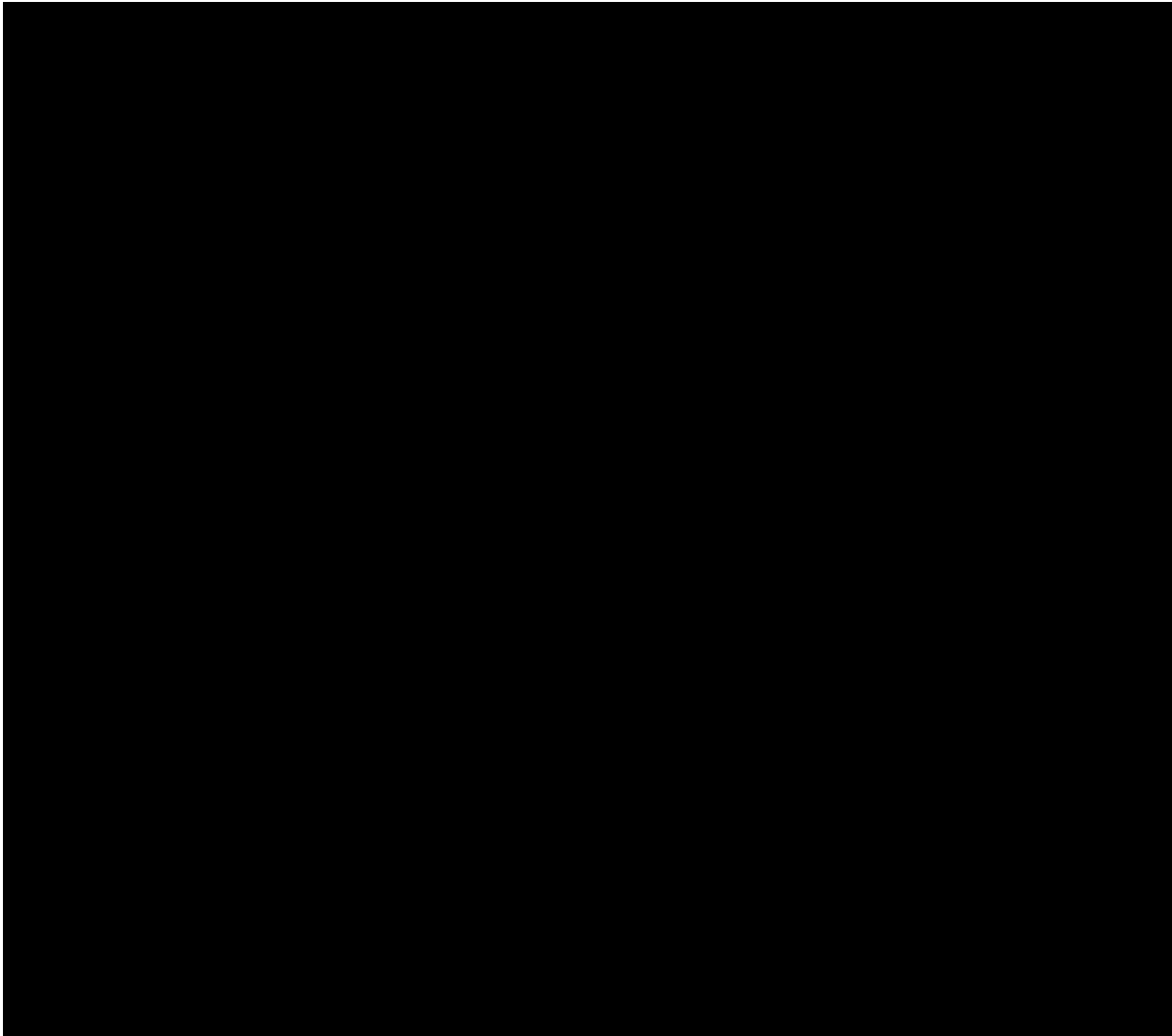


Figure 2.1 (b) Organisation structure, illustrating leadership across our areas of operation.

Our control structure is the responsibility of our directors and managers at all levels. It has clear lines of responsibility and communication channels, which will ensure that best practice in managing risks and controls is consistently applied throughout our organisation. In addition, as for our existing contract, internal and external auditors will present reports to our Group risk and audit committee, highlighting any significant internal control issues.

CFL’s organisational arrangements, structure and lines of authority and responsibility are clearly documented and understood, from Transport Scotland through our Group organisation, within CFL and across our internal and external relationships and shared functions.

The control environment which defines these relationships is set out in Figure 2.1 (c).



*Figure 2.1 (c) CFL's control environment defines the relationships, processes and systems to manage the conduct of the management of the services.*

Our Managing Director will ensure that management reviews are undertaken and reported at all levels, while making certain that suitable resources are available throughout the company. Reviews are carried out as stipulated within our [REDACTED]

#### *Group Management System*

Our existing Group Management System complies with the requirements of ISO 9001:2008, Quality Management System, ISO 14001:2004 Environmental Management System, The Port Marine Safety Code (PMSC) and the International Safety Management (ISM) Code, being fully accredited to these standards by Lloyds Register Quality Assurance (LRQA).

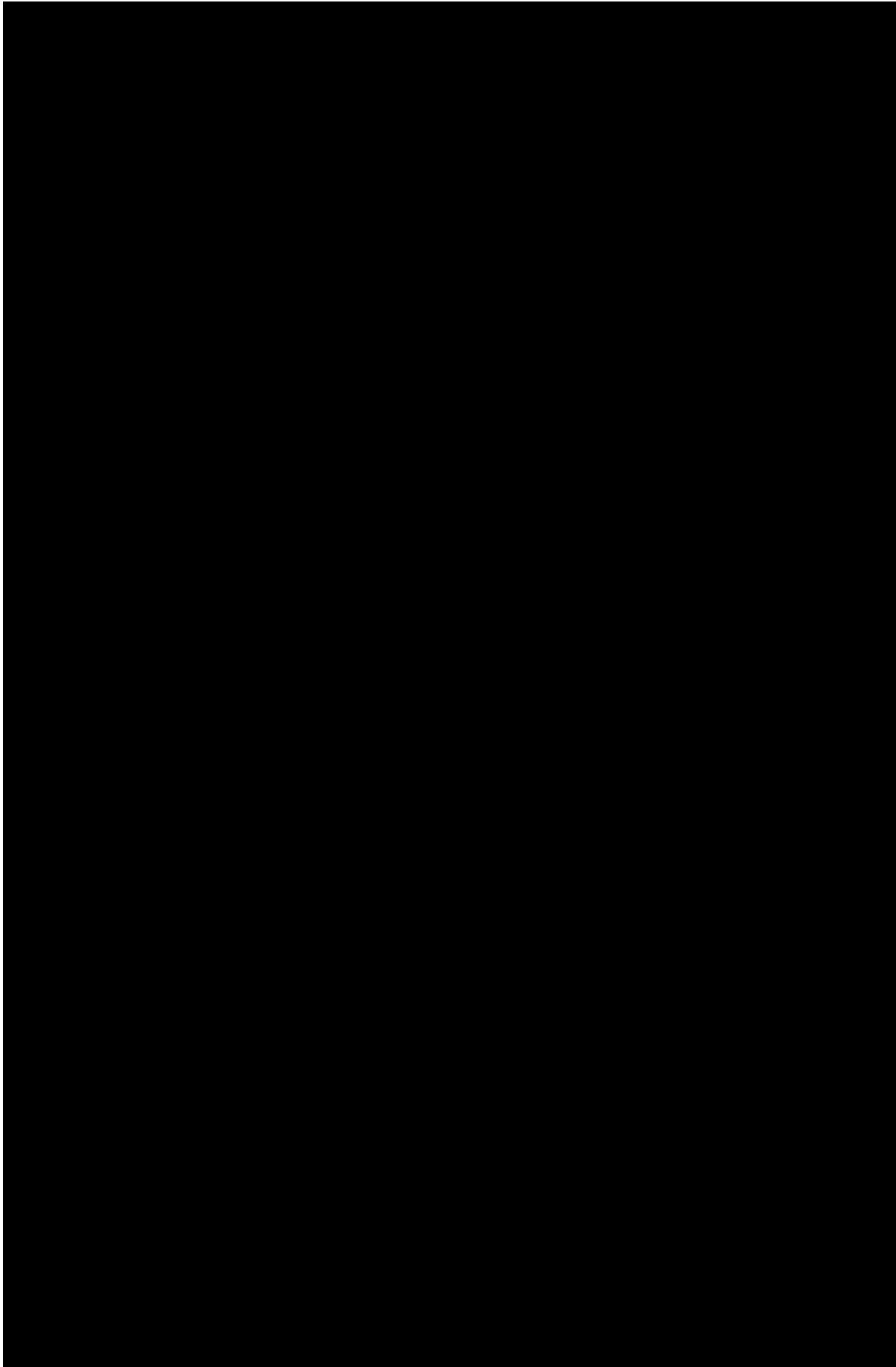
Its scope comprises the provision of passenger and vehicle roll-on, roll-off ferry services between the ports on the Scottish mainland and islands, utilising vessels certified to meet the requirements of the ISM Code. This is in addition to the management and operation of associated ports and their facilities, used in the provision of the above services.

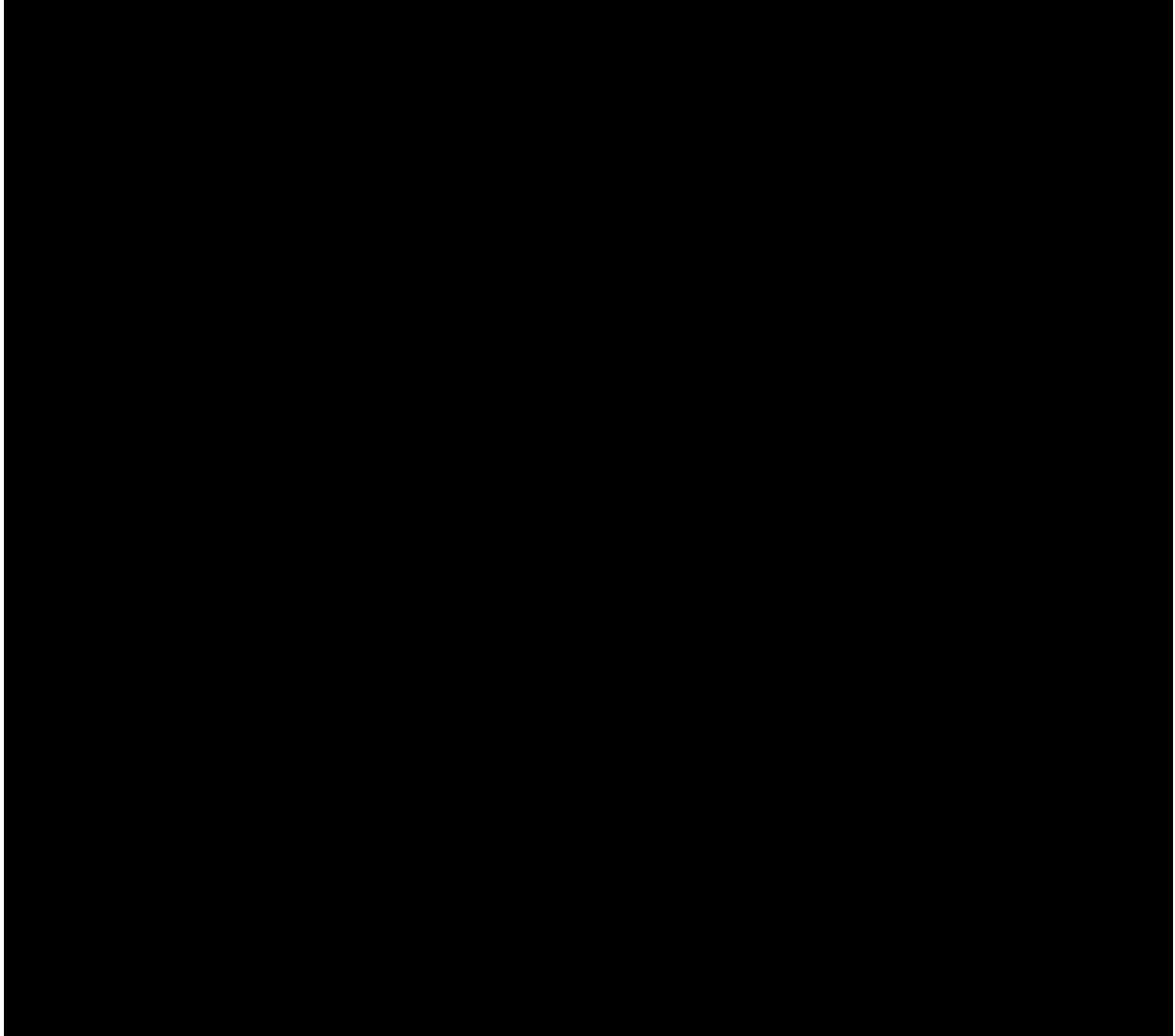
As a continually improving business we have already begun the process of working towards upgrading our systems to ensure we comply early with the published ISO 9001:2015 and ISO 14001:2015 standards. There is no mandatory requirement to comply until 2018, but we are aiming to achieve best practice by early 2017. We will also adopt ISO 50001 Energy Management System and ISO 45001 Occupational Health and Safety Management Systems (the replacement standard for OHSAS 18001) and aligning to the principles of BS 8903 Sustainable Procurement.

All modules within CFL's Group Management System encompass the following:

- » Effective risk management: enabling the identification of risks that provide threats and opportunities, and implementation of controls to minimise negative effects on performance and maximise potential benefits
- » Adoption of a 'Plan-Do-Check-Act' approach to management and process control involving establishment of objectives, definition of processes, monitoring progress and compliance, taking action, where necessary, and consideration of improvement opportunities
- » Process management and control: ensuring that processes deliver the intended results and that applicable requirements are compliant.

As detailed in Figure 2.1 (d), we provide an environment that embraces all opportunities to continuously improve every aspect of our management system.



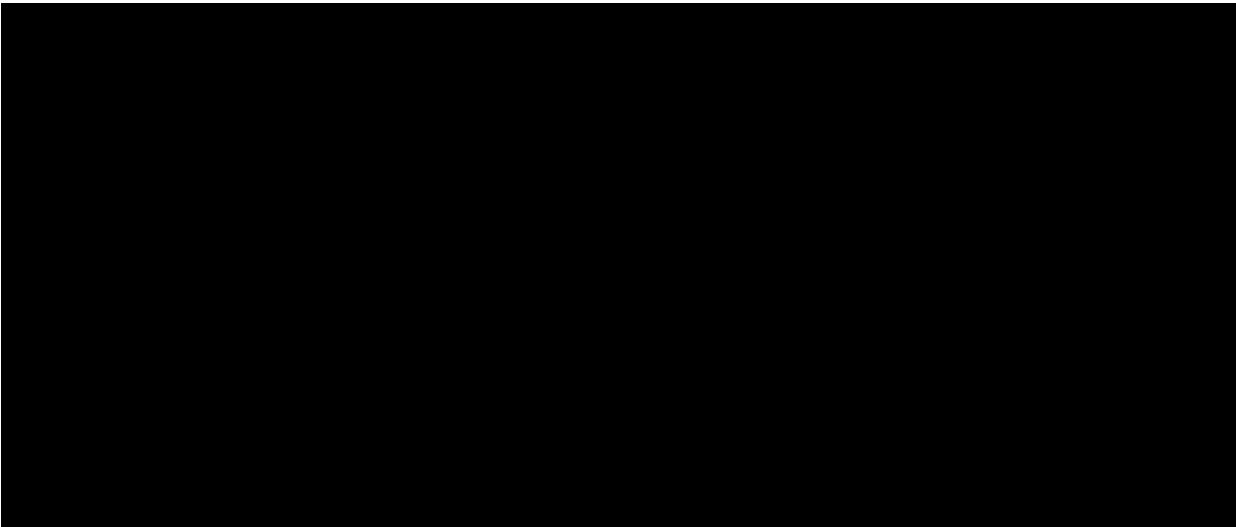


*Figure 2.1 (d) Tiered structure of our Group Management System.*

Our MD is responsible to the Chairman and Board, representing senior management commitment to the development and implementation of our management system.

The Head of Health, Safety, Quality and Environment, [REDACTED], has authority for ensuring the management system's implementation, maintenance and continually improving its effectiveness. This is in accordance with our Quality Mission and Policy Statement, shown in Figure 2.1 (e), and established quality objectives.

[REDACTED] regularly reports on performance of the management system to our Managing Director as part of our review process and ensures that measures are in place to confirm that all staff adhere to customer, statutory and regulatory requirements at all times and fully understand their importance.



*Figure 2.1 (e) Quality Mission and Policy Statement, Health and Safety and Environmental Policies, signed by our Group Chief Executive Officer, Martin Dorchester.*

Under ISO 14001:2004 accreditation, our Environmental Management System minimises environmental risks and ensures compliance with legislative and corporate governance requirements. It is certified by the Lloyds Register Quality Assurance (LRQA) and United Kingdom Accreditation Service (UKAS). Under ISO 9000:2008 accreditation, our Quality Management System ensures that requirements of all stakeholders are captured, fully understood and met in line with expectations.

Our Group's Safety Committee is required to satisfy itself of the adequacy and effectiveness of our health and safety, environmental and quality policies and procedures adopted, in compliance with all legislation and other requirements affecting our activities. Supported at Board level, this committee may investigate or comment on these and any other issues referred to it. The committee assists executive and senior management teams in enhancing our approach to operating an effective safety culture.

#### *Commitment to employees*

Providing a safe working environment for all employees that complies with all statutory requirements and is appropriate for the provision of CFL services is our priority. Our Group operates a policy of equal opportunities and non-discrimination in all aspects of employment and we are committed to offering equality of opportunity for all employees and customers, treating every member of staff and customer with dignity and respect.

We will continue to ensure that all staff are able to work in an environment that is free from discrimination, harassment and bullying. We fully subscribe to the Scottish Government's Race Equality Scheme, Disability Scheme and Gender Equality Scheme. For the new Contract we will maintain and develop the equal opportunity structures and systems that are an integral part of our thinking and behaviour, undertaking regular reviews to identify where improvements can be made.

#### *Corporate information*

As a Group, we operate a comprehensive budgeting and financial reporting system, which provides a monthly comparison of actual results against our financial year

budget and annual contract requirements, regularly revised forecasts, statements of financial position and key performance indicators.

The Board regularly reviews these. Standard financial control procedures, which provide assurance on the integrity of our organisation's finances, are operated in all our Group companies.

### The control environment

For the new Contract, CFL's control environment, illustrated in Figure 2.1 (f), will play a key role in setting the tone for our organisation and influencing control consciousness in our employees:

- » Safety and quality are everyone's business – staff will have responsibilities for achieving and improving standards, cost effectively, complying with the relevant parts of the Group Management System affecting their work. Our MD will ensure measurable safety and quality are established at relevant levels.
- » All staff will understand what is expected of them in their job in seeking to satisfy needs and expectations of clients, customers and colleagues.
- » Our MD will be responsible for ensuring that measurable safety and quality are established at relevant levels within CFL, aligned with our Quality Mission and Policy Statement.
- » Resources will be available for supporting the operation and control of processes with appropriate management of all interfaces.
- » Infrastructure facilities that enable provision of our services e.g. vessels, port facilities, workshops and offices will be assessed in relation to current and future needs as part of management reviews and directors meeting processes.

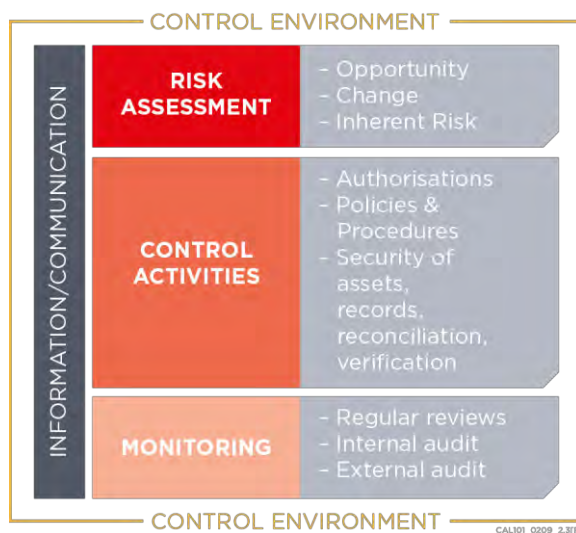


Figure 2.1 (f) Characteristics of the control environment.

### Risk identification

We will adopt a risk-based approach to internal control, evaluating the likelihood and impact of risks, with responsibility for their effective management and internal control assigned to an appropriate, designated owner. As standard practice, we have a process for identifying, evaluating and managing key risks, applying enhancements to our systems for managing them effectively, as appropriate.



Specific areas for consideration are based around our process goals aligned directly with Transport Scotland priorities, as detailed in Table 2.1 (a):

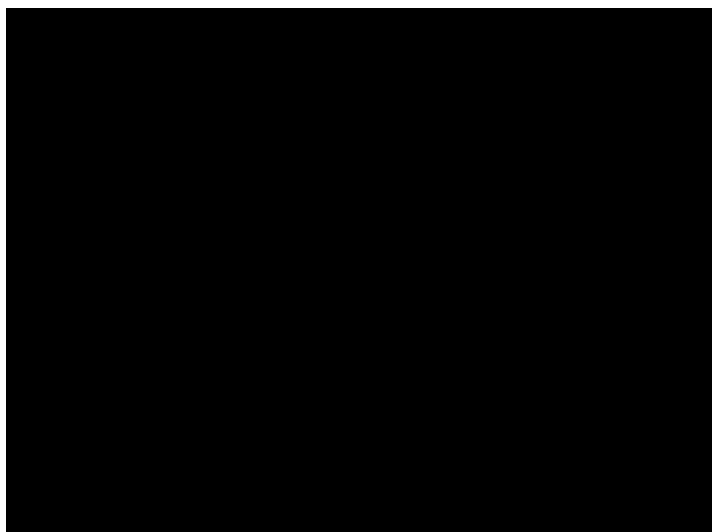
*Table 2.1 (a) Alignment of CFL process goals and focus areas with Transport Scotland priorities.*

Transport Scotland Priorities	CFL Processes - Key Focus Areas	CFL Process Goals
Better journey times, better reliability, quality and accessibility	Operational excellence	Work smarter
		Exercise financial discipline
Improved connections across Scotland and internationally	Customer experience	Easy to do business with
		Great travel experience
Increased safety, more innovation	Innovation	Focus on business and product development
		Create a culture of persistent innovation
Low carbon technology and infrastructure, reduced emissions	Compliance and social responsibility	Earn global recognition for our safety, environment and security
		Enable social and economic development in communities
Continuously improving performance and organisation	People and culture	Provide assistance and tools that support continuous improvement

Our effective processes and procedures will assist in ensuring CFL activities are not negatively impacted by internal or external risks. Regular review of risks will continue to be undertaken by our Audit and Risk Committee and ultimately, our Board.

### Cyclical Control Activities

As represented in Figure 2.1 (g), the approach to controlling activities throughout our organisation is cyclical, providing direction and preventing the occurrence of issues. Regular performance reviews enable us to identify / correct any arising concerns at the earliest opportunity.



*Figure 2.1 (g) CFL's cyclical approach to control.*

## Directive controls

### *Operational excellence*

In order to provide assurance for delivering a safe and reliable service to customers, all activities essential to the operation and management of vessels, ports and facilities will be subject to the creation and ongoing maintenance of a positive control environment that has the flexibility to adapt to change or unexpected events. These activities include:

- » Compliance with all regulatory requirements
- » Planned maintenance
- » Recruitment
- » Induction
- » Insurance and claims
- » Damage reporting
- » Shipboard operations
- » Emergency preparedness
- » Loading and discharging passengers, vehicles and loose freight
- » Pollution prevention
- » Bunkering
- » Dry-docking or annual overhauling
- » Vessel inspection
- » Information technology
- » Catering services (food safety management system)
- » Safety management
- » Risk assessments

Our documentation and records structure will support the execution of work, satisfying all specified requirements with revisions to any documents and data produced, approved, distributed and controlled in accordance with our document control policy, detailed in [REDACTED]

In accordance with our standard practice, we will capture performance data relating to progress and cost for evaluation, validation, governance and assurance. We confirm that all documents and data are registered and our existing system of distribution will ensure that valid documents are available at all our locations.

Any records required to be kept and maintained are identifiable and traceable to the area, equipment or ship to which they are related.

### *Customer experience*

Determination of customer requirements will be overseen by our MD, ensuring they are met with the objective of enhancing customer satisfaction / the customer

feedback system, in accordance with our [REDACTED]  
[REDACTED] Any requirements outside the normal operation of our specified services will be assessed, communicated and understood.

As a result of implementation of our intent-based leadership programme for the new Contract (detailed in the section below relating to people and culture), our frontline staff will be empowered to deal with customer complaints directly. This ability to swiftly resolve issues will enable us to achieve greater customer satisfaction, as well as provide increased autonomy for personnel.

#### *Innovation*

To maximise opportunities for innovation and continuous improvement we have established methods for capturing learning from experience and sharing it via our established, internal communications channels.

Acknowledging that our operations extend across a wide geographic area, with each location having its own unique needs, we wish to recognise the great breadth of innovative capability existing within our organisation.

As part of our 'thinking nationally and acting locally' ethos, for the new Contract, we will build on our incentivised employee suggestion scheme and relevant internal awards programme category to fully recognise all successful ideas we implement across our network.

This initiative will enable us to nurture innovation as an integral part of our culture.

#### *Compliance and social responsibility*

We confirm that all existing statutory and regulatory requirements related to the provision of our services under the Contract are communicated and understood. Likewise, we will ensure that all requirements determined for the execution of the Contract are communicated and understood.

Currently, all purchased material and equipment is identifiable and traceable to its specific purchase order and we are currently finalising our Sustainable Procurement Policy and processes. These will ensure supplier alignment with CFL values, objectives and social responsibility commitments for the new Contract.

#### *People and culture*

In respect of resource planning, our proven recruitment and selection competency criteria are based on education, training, skills, experience, job descriptions and person specifications. All details of our policies, rules and procedures of employment are defined in our Staff Handbook.

Our established induction process includes International Safety Management (ISM) code, Standards of Training, Certification and Watchkeeping (STCW) 2010 certification, supported by comprehensive on the job training for all employees joining our organisation.

Clearly defined processes support the ongoing development of employees from the identification of training needs to evaluation of effectiveness of training, supporting tools, systems and interfaces, in addition to a structured performance appraisal process.

*Communication, information and training*

In accordance with our proven approach for the Service, we will ensure that control mechanisms are implemented and embedded through communication, shared information and training.

Information to be communicated will include:

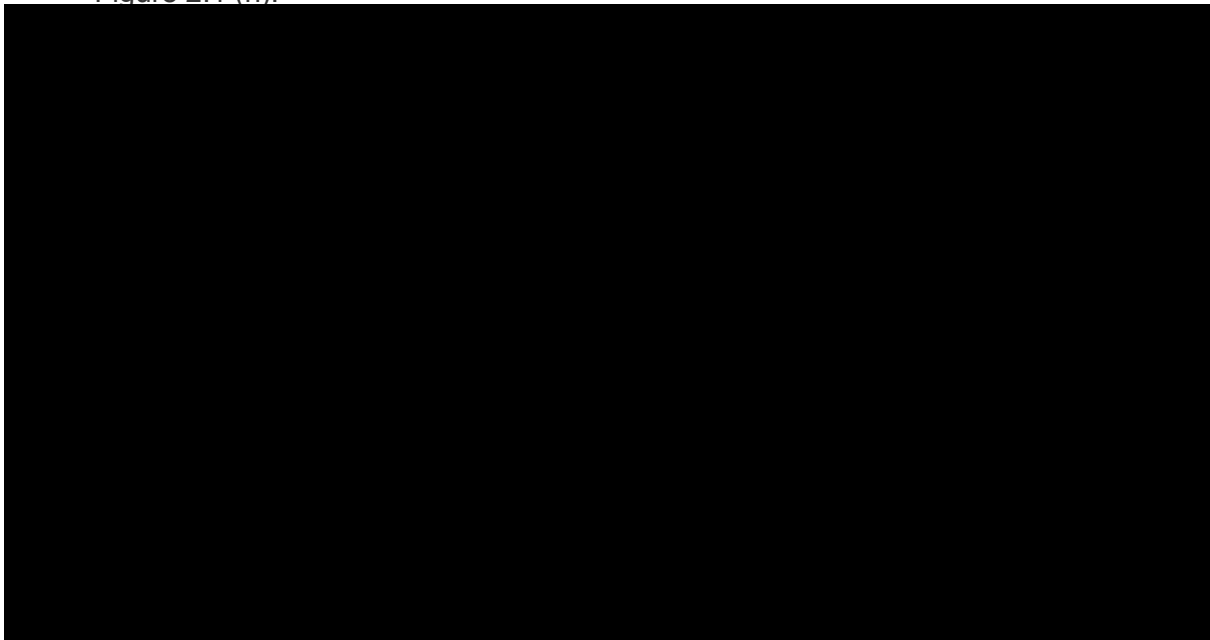
- » Our quality mission and policy statement
- » Objectives and targets for the new Contract
- » Environmental and safety policies
- » Environmental and safety information
- » Audit report outputs
- » Customer complaints and actions arising from them
- » Advice on quality and safety issues, including guidance on legislation

We will continue to use existing communication channels between support services departments, ports and vessels. [REDACTED]

[REDACTED]

*Meetings*

We adopt best practice in management of all meetings as detailed in the example in Figure 2.1 (h).



*Figure 2.1 (h) Example of information flow of meetings and reporting during mobilisation.*

### *Leadership at every level*

In order to fulfil our goal, CFL has undergone a period of transformation, undertaking specific projects to improve communication and the customer experience, the increased efficiency enabling us to become more agile.

We are continuing this journey and recognise the requirement for close alignment with the unique needs of the Contract. Our culture will be further developed, moving away from a command and control operation towards intent-based leadership at every level. This means that, over time, staff will have the autonomy to take more decisions at a local level.

The cultural shift will be underpinned by our organisational design for the Contract with appropriately assigned accountabilities and key performance indicators. Greater emphasis will be made on individuals taking direct responsibility for the consequences of their actions. They will be required to consider and contribute to wider decision-making within our organisation, alongside completion of day-to-day activities.

To facilitate the implementation and embedding of our cultural change, all members of our management team will receive a specific induction session on our empowerment programme, which is based on the David Marquet 'Turn Your Ship Around' model.

Supporting our efforts in planning for the future, we are committed to playing an active role in overcoming the current skills shortage being experienced in the maritime sector and are planning to work collaboratively with CMAL, and the University of Highlands and Islands to develop dedicated ports and harbour qualifications during the Contract.

### *Preventive controls*

Implementation of our proven management system will ensure successful adoption of analysis, measurement, and improvement processes for the Contract.

### *Operational Excellence*

For the Contract, we will ensure achievement of operational excellence in the following ways:

- » Adherence to our quality, environment and health and safety policies
- » Implementation of robust risk management processes with outcomes feeding into our risk register at appropriate management levels to ensure maximum effect
- » Commitment to continually improving the effectiveness of our management system
- » Consistent adherence to all timetables as set by Transport Scotland
- » Ensuring effective security arrangements and access to data
- » Operating within specified financial controls

### *Customer experience*

Implementation of control mechanisms will enable us to demonstrate that services provided meet all customer requirements.

### *Corporate and social responsibility*

We will ensure our management system conforms to applicable standards through our programme of internal and external audits completed by regulatory authorities on all our plans. The plans include our Oil Spill Contingency Plan, Vessels and Harbours Security Plans, Port Emergency Plans and contingency plans as required.

We will also use Cedrec (the internet based, legal information, bulletin service) to keep abreast of developments in environmental legislation and to undertake assurance checks.

In line with Transport Scotland's priorities relating to low carbon technology and infrastructure, reduced emissions, we will ensure adherence across our operation with the controls set out in our Environmental Management Plan and proposals for waste management reduction.

We confirm that measuring equipment essential to the safe and efficient operation of vessels and for the prevention of pollution will be identified and its performance recorded.

### *People and culture*

Many of our preventive controls feature in human resources (HR) policies, rules and procedures as defined by the CFL Staff Handbook. Implementation of leading health and safety indicators detailed in our Health and Safety Plan can be used to measure all activities carried out to prevent and control accident / injury, preceding or indicating a future event.

As an equal opportunities employer, we are committed to undertaking equality impact assessments that will provide assurance that our robust HR processes do not discriminate against any disadvantaged or vulnerable people.

### *Detective controls*

#### *Operational excellence*

- » All CFL services are uniquely identified and their status monitored via normal communications between our organisation and vessels within the fleet.
- » All systems and equipment are inspected weekly, monthly and three-monthly as part of our planned maintenance regime, using our company plant maintenance traffic light system.

### *Customer experience*

- » Our services are monitored in accordance with our Support Services Manual, Section 7 in our Group Management System, relating to customer feedback, in addition to measurable performance criteria specified by our Customer Charter. These two areas of monitoring will contribute to CFL's Management Review Report, detailed below in section (ii) of this response.
- » Data relating to CFL's performance and customer satisfaction are collected, analysed and circulated to senior management as required by our Support Services Manual, Section 3, Performance Monitoring and Section 7, Customer Care.

- » We confirm that, as standard practice, customer perceptions of services are regularly monitored. Feedback is managed and presented in accordance with requirements of our customer care manual. For the new Contract we will also undertake annual, online surveys with our many stakeholders, including hauliers, residents and MSPs.
- » We will organise community focus groups for testing products and services, in addition to a Ferry Access Panel providing mystery shoppers and feedback on our products and services from an access and inclusion perspective.
- » In addition, further demonstrating our commitment to transparency in our performance, for the Contract, we confirm that we will undertake annual customer satisfaction surveys online and have been working closely with Transport Focus, an independent transport user watchdog, to pilot the development of a ferry industry wide initiative, whereby survey results will be made available to the general public, as they currently are for the rail industry.

#### *Innovation*

In addition to providing feedback, undertaking lessons learned activities and holding regular reviews, we will actively encourage new ideas. These initiatives challenge the status quo in all areas of our operation throughout delivery of the Contract, fully endorsing our commitment to continuous improvement.

#### *Compliance and social responsibility*

Regular reviews of our quality policy are undertaken by CFL's MD and we confirm our established mechanisms for identifying control deficiencies, so they can be rectified in a timely manner.

Business function reporting is completed for our financial, corporate social responsibility and environmental performance. Further details on our commitments for the Contract are detailed in section (ii) of this response below.

#### *People and culture*

Using a system of validation, monitoring, testing, measurement and analysis, we will determine whether or not policies and procedures designed and implemented by management are being adhered to effectively by employees.

Our mechanism for achieving continuous improvement will be through our established management review process. All contributory factors will be reviewed and documented and recommendations arising will be implemented accordingly. Performance of all operational staff will be monitored through employee reviews conducted via our HR team, in addition to ongoing absence and sickness monitoring.

#### *Internal auditing*

As undertaken for the existing Contract, all internal audits for quality and safety will be carried out by trained, experienced personnel to a plan prepared by ██████████, our Head of Health, Safety, Quality and Environment, supported and endorsed by our MD and Board. This plan will prioritise activities on the basis of their status or importance. The audit process verifies that activities comply with relevant procedures and identifies whether procedures are effective and efficient.

Audits over our control environment and framework are managed by our risk manager and implemented by our internal audit supplier [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CFL's audits are documented with results brought to the attention of staff responsible for the area being audited. Actions are taken to identify and eliminate any non-conformances at the earliest opportunity.

*External Auditing*

Our Group Management System is accredited to and audited against the following standards: ISO 9001 2008, ISO 14001, audited by Lloyds Register Quality Assurance and the ISM Code, audited by Maritime and Coastguard Agency. We confirm that for the Contract, we are committed to adhering to the principles of BS 11000 with regard to collaborative working relationships.

Our control environment is externally audited by KPMG for statutory and financially reporting purposes.

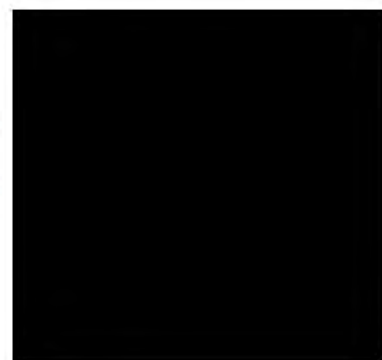
*Corrective controls*

*Operational excellence*

All non-conformances will be reviewed and managed as required by our [REDACTED]

[REDACTED] Corrective action may also be required to be taken as a result of:

- » Equipment failures
- » Customer feedback
- » Accident reporting
- » Hazardous occurrences



All non-conformances and potential non-conformances identified by our management system as a result of a management review, internal audit or other process such as customer care or performance monitoring will be recorded. Any non-conforming material will be identified and, where practicable, segregated from conforming material.

In the case of a potential non-conformance being identified, the non-conformance report shall detail the action required to prevent the possibility of non-conformance

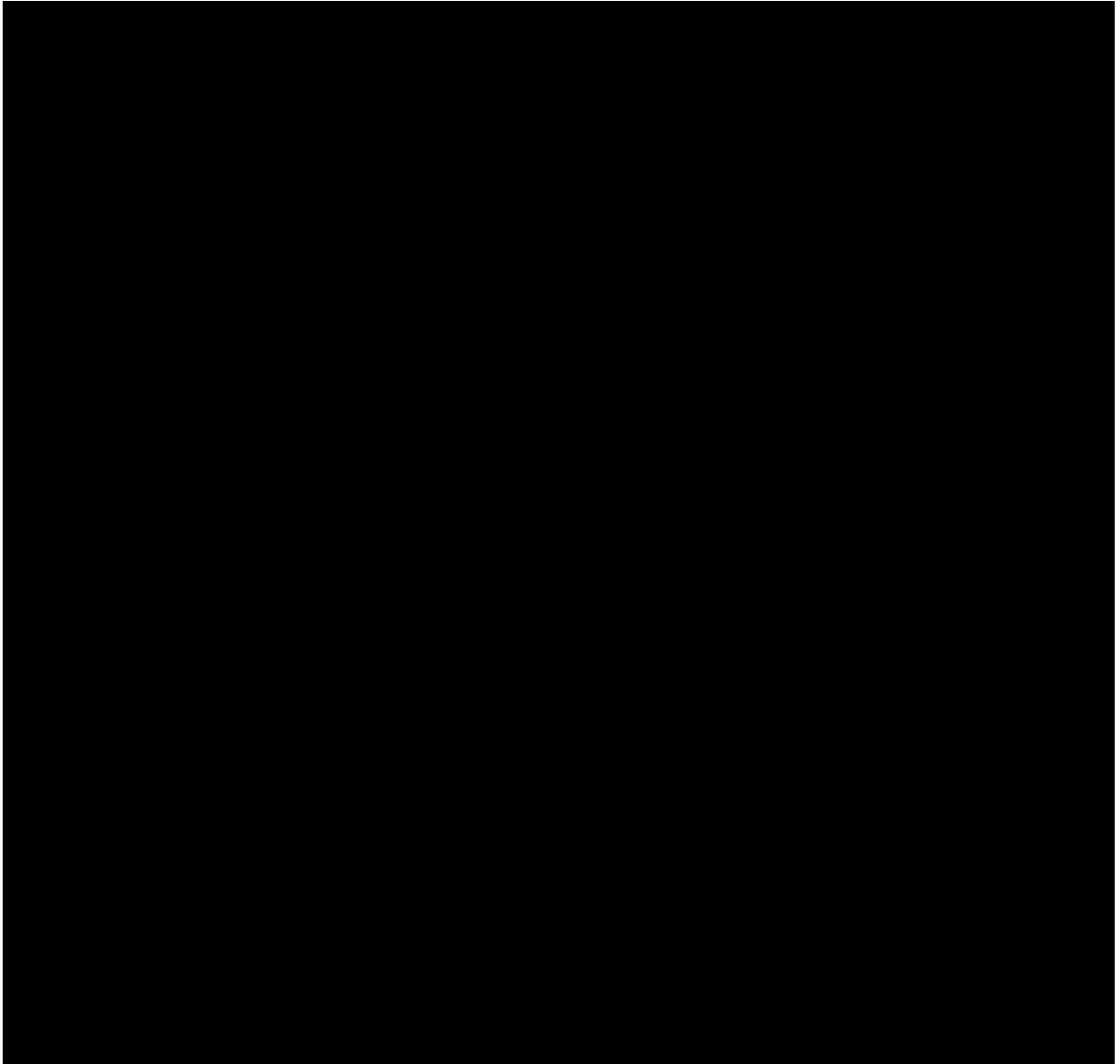


reoccurring. Corrective and preventive actions will be recorded and analysed, as required, by [REDACTED].

*Emergency preparedness and response*

We will use our proven practices and drills to ensure that our officers, crews and response from the shore are all fully effective, if needed. Details of our drill frequencies are indicated in Table 2.1 (b).

*Table 2.1 (b) CFL drill types and frequencies.*



In addition to the drills outlined above, twice a year, usually in February and October, we undertake a simulation of an emergency situation. We involve personnel from across our network, in addition to external participants and members of our silver emergency response team, to ensure we are always fully capable of responding to an emergency situation.

These exercises contribute to our continuous improvement, enabling us to learn from the experiences they provide to anticipate and mitigate against the risk of accidents or incidents occurring. We have aligned our silver emergency response provision with that for blue light emergency services so that we achieve optimum effectiveness as a result of compatibility in our combined operations.

Other plans supporting our emergency preparedness include Oil Spill Contingency Plans for vessels and harbours and Port Emergency Plans.

### Awards

Testimony to our success in ensuring preparedness, are our recent Scottish Transport awards:

In 2014, three CFL managers received the Scottish Transport Frontline Employee of the Year Award for their snow relief effort on the Isle of Arran and Kintyre peninsula.

In 2015, the crew of CFL's MV Finlaggan achieved highly commended in Scottish Transport's Frontline Employee category, in recognition of their relief effort offered to the community of the Isle of Harris during the hurricane force conditions experienced in January 2015.

Our successful strategy for emergency preparedness assists in minimising the impact of incidents, while ensuring maximum support for anyone involved.

### *Customer experience*

Any services not meeting customer requirements will be identified, documented and reported to Senior Management as required by our Support Services Manual, Section 3 on performance monitoring.

If the Service is identified to be non-conforming, customers will be compensated in accordance with our standard conditions of carriage, which comply with Regulation EU No 1177 / 2010 concerning the rights of passengers when travelling by sea and inland waterway.

In addition, we adhere to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea (1974). In the event of loss or damage to any customer property, this is reported with appropriate records maintained as required.

### *Innovation*

All proposals for innovation will be subject to feasibility and implementation reviews, as they are currently.

### *Compliance and social responsibility*

Non-conformances can arise from a number of areas including, but not limited to, internal audits and those by third parties such as the MCA or Lloyds Register Quality Assurance.

### *People and culture*

We will continue to use established HR policies and plans for managing under-performance, misconduct, and absence / sickness.

### *Measurement and continuous improvement*

We will use the following indicators for measuring the success of our approach to control of the conduct of the management of services:

- » Contractual performance key performance indicators
- » Internal KPIs based on our annual operating plan areas of organisational focus i.e. operational excellence, customer experience, innovation, compliance and social responsibility and people and culture
- » Environmental / CSR measures in accordance with the Global Reporting Initiative (GRI)
- » Delivery of appropriate reports to comply with the Contract

Our cyclical approach to control coupled with our established process of ongoing reviews of our Group Management System and use of report content will focus our efforts to continuously improve.

#### Opportunities for improvement and innovation

Through use of appropriate reporting tools, our abilities to interrogate our data will enable informed decision making in a timely manner. This, in turn, will deliver significant benefits:

- » Provision of meaningful evidence of performance – our performance reporting will be easy to read and transparent
- » Valuable time will be saved through use of more appropriate information communications technology
- » Greater assurance and improved client confidence

For the Contract, we plan to make use of dynamic cloud-based tools to assist co-ordinated gathering of CSR data across the CFL business. This data can be analysed and presented as meaningful reports, saving time and money, and improving performance in real time, across our network of operation. The additional data will further broaden areas of improvement for the new Contract.

Other time-saving benefits will result from enabling self-managed HR reporting for monitoring absence, facilitating monitoring and control activities, enabling us to continuously improve performance.

#### Proposals for standard management reports and published performance reports

We confirm that we will fulfil all reporting requirements as detailed in the Clyde and Hebrides Ferry Services Contract for Provision of Ferry Services, Schedule 14, Part B and will adhere to the Schedule 15, Performance Regime, undertaking all associated monitoring and producing all outputs, as required.

#### Managing and mitigating risks

We have highlighted the most significant risks in the table below together with our plan to mitigate them:

Risk	Mitigation
Delayed integration of current and new systems could impact upon data availability. Impact: Transport Scotland does not get the data needed to properly assess if we are performing the services adequately.	Engage with Transport Scotland to ensure we understand all contractual requirements fully and capture any supplementary requirements that may arise, using the correct change process.

#### Proposals for standard management reports

Our proven processes for managing the collation of data for reporting across our organisation involve relevant personnel from our financial, technical, health and safety, quality and environmental management departments. Members of our statistics team who are directly responsible for reporting on our performance and carryings also contribute.

The table below provides details of reports we have prepared for the existing Contract that will continue for the new Contract, in addition to those for meeting new

requirements, with information regarding their content, audience frequency and presentation formats.

*Table 2.1 (c) Detail of CFL reports for existing Contract and proposals for the new Contract.*

Report Type	Content and Purpose	Audience	Frequency	Format	Existing / New
Monthly Contract Outcomes	Financial reporting, including variances	Transport Scotland	Monthly	Soft copy / e-mail	Existing
Annual Accounts / Board Report	Review of the Year Financial Report / Performance	Public	Annually	Printed / Website	Existing
CSR Report	Sustainable outcomes for CFL Workplace Marketplace Environment Communities	Public	Annually	Printed / Website	New
Base Case Revisions and Recalculation	Summary of key movements	Scottish Government	Yearly	e-mail	Existing
Actual Outcome Statement	P&L – Actual vs budgeted and grant received	Scottish Government	Yearly	e-mail	Existing
Fuel Cost Reconciliation	Monthly fuel return.	Scottish Government	Monthly	e-mail	Existing
Performance Deductions	Itemised list of performance failures and penalty (£) incurred	Scottish Government	Monthly	e-mail	Existing
Performance Measures Report – Part A Volume 3 Schedule 15	Key Metrics by Route: Reliability, Punctuality (Connectivity and Timetable), Compliance, Customer Complaints, Relief Events, Harbour Inoperability, Safety events	Scottish Government	Monthly	e-mail	New
Summary of Service – Part B Volume 3 Schedule 15	By Route: Scheduled / Unscheduled / Associated Lifeline Ferry Services with Carrying statistics	Scottish Government	Monthly	e-mail	New
Summary of Port Usage – Part C Volume 3 Schedule 15	By Route and Harbour the port usage statistics	Scottish Government	Monthly	e-mail	New
Revenue & Cost	Detailed statement	Scottish	Monthly	e-mail	New

Report Type	Content and Purpose	Audience	Frequency	Format	Existing / New
Statement	of both revenue, variable cost incurred to support revenue streams and monthly vessel operating cost	Government			
Performance Measure and Service Performance Review	Summary of all performance measures with clear defined performance achieved over previous 12 months. Report will supplement monthly and annual report	Scottish Government	Quarterly	e-mail	New
Six Monthly Summary and Annual Report	Customer Complaints Process, Safety Record, Environmental Performance	Scottish Government	Six Monthly & Annual	Soft Copy / Email	New
Contract outcomes	KPIs defined to monitor conceptual proposals	Scottish Government	Quarterly		New
The contract performance statistics	Reliability Punctuality Compliance Customer care Average Answer Delay (AAD) Passenger Freight and livestock accommodation Food and beverage service	Public	Monthly / Annually	Monthly statistics available on noticeboards and included within annual report Online	Modified to include additional areas

In summary, we consider that our approach to managing the Contract in a controlled environment is exemplary.

## 2.2 Operator's Quality Management Organisation of the Contract

### Executive Summary

#### Our approach to managing quality

CalMac Ferries Limited's (CFL) Quality Management System (QMS) comprises our Quality Policy and our business processes contained within our Group Management System (GMS) and controls. It is fully accredited to meet the requirements of the International Standards Organisation's ISO 9001:2008, ISO 14001:2004 and the International Safety Management (ISM) Code.

#### CFL's continuous improvement demonstrated in our current Contract

Transport Scotland regularly appraises our performance on the current Contract. This includes the quality of our service delivery and deliverables; in 2014 our scores were High (80%) for service delivery and Excellent (90%) for quality of deliverables.

As a continually improving business, we have already started the process of transitioning to the new ISO 2015 standards and are working towards upgrading our systems to ensure we comply with both ISO 9001:2015 and ISO 14001:2015 well ahead of the 2018 deadline. This continuous improvement will be sustained into the next Contract as illustrated by the following timeline:

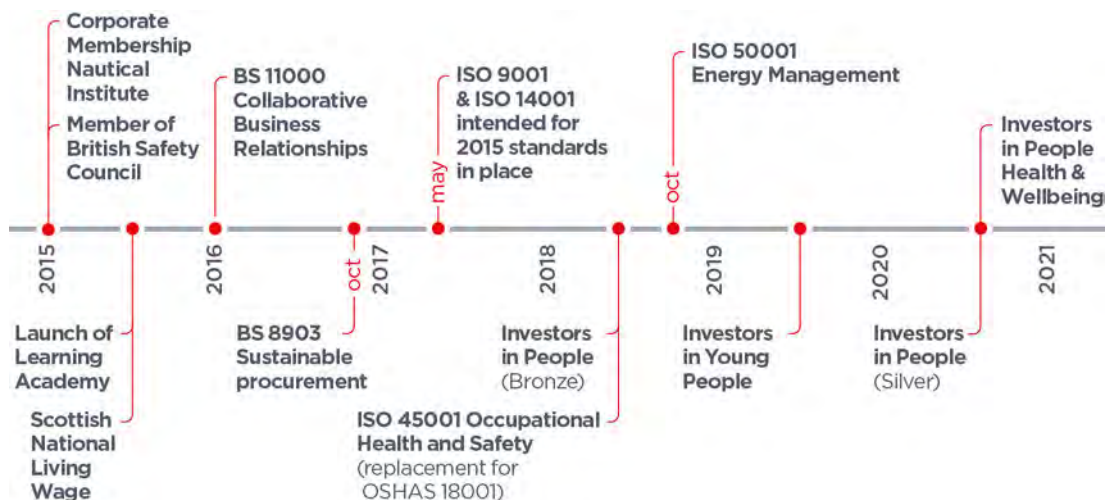


Figure 2.2 (a) Illustration of the evolution of our Quality Management System.

CFL holds a valid Document of Compliance (DoC) for the operation of passenger ferries in accordance with the International Management Code for the safe operation of ships and for pollution prevention (ISM Code), issued by the Maritime and Coastguard Agency (MCA).

Our current Head of Health, Safety, Quality and Environment Management (HSQE) has overall authority for the establishment, maintenance and reporting on our QMS. He will provide continuity of quality management throughout the transition to the new

contract. Reporting to the Managing Director he is currently responsible for ensuring compliance with all health, safety, quality, environmental and security legislation.

Our proposals for the mobilisation phase of the Contract will provide certainty of on-time delivery, within scope and cost. We will adopt the principles of the proven Cabinet Office methodologies of Managing Successful Programmes (MSP) and Projects IN a Controlled Environment (PRINCE2), which is already in use in our Programme Management Office for our current change projects.

We will build on lessons learned during mobilisation to ensure effective quality management in the operational phase of the Contract. CFL has put in place a robust quality management system structure, which is detailed in full in sections (iii), (iv) and (v).

## Information

### (i) An annotated chart of the Operator's organisation of the Contract

Transport Scotland requires a robust approach to the organisation of the Contract during the mobilisation and operational stages, which will deliver clear lines of command and routes of communication between all stakeholders, including subcontracted service providers, Scottish Ministers and representatives.

#### Challenges and constraints

Efficient quality management is dependent upon clear lines of command and effective communication, both internally and with all external stakeholders.

Internally, clarity of leadership and communication will ensure we adhere to established, comprehensive quality management practices, which will make certain we comply with the Contract requirements.

Our commitment to clear communication, efficient reporting and transparency will give Scottish Ministers confidence in the delivery of the Contract, and sustain our relationships with external stakeholders, subcontractors and our communities. Where appropriate, we will investigate opportunities for collaborative relationship management, drawing on BS 11000 principles, in order to deliver quality and value for money.

As the current Operator we have an organisational structure in place to provide lines of command and communication between all parties. These will de-risk communication during mobilisation and the operational stages of the new Contract. Our established, ministerial-appointed board will deliver transparency in the operation of the Contract for Scottish Ministers.

During the tender period we have sought expert input to establish the key requirements for delivering the Contract in order to develop the most appropriate organisational design.

Our analysis considered the following challenges:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]



- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

Our analysis has resulted in the development of the organisational structures for each phase of the Contract, which are detailed below.

### Mobilisation

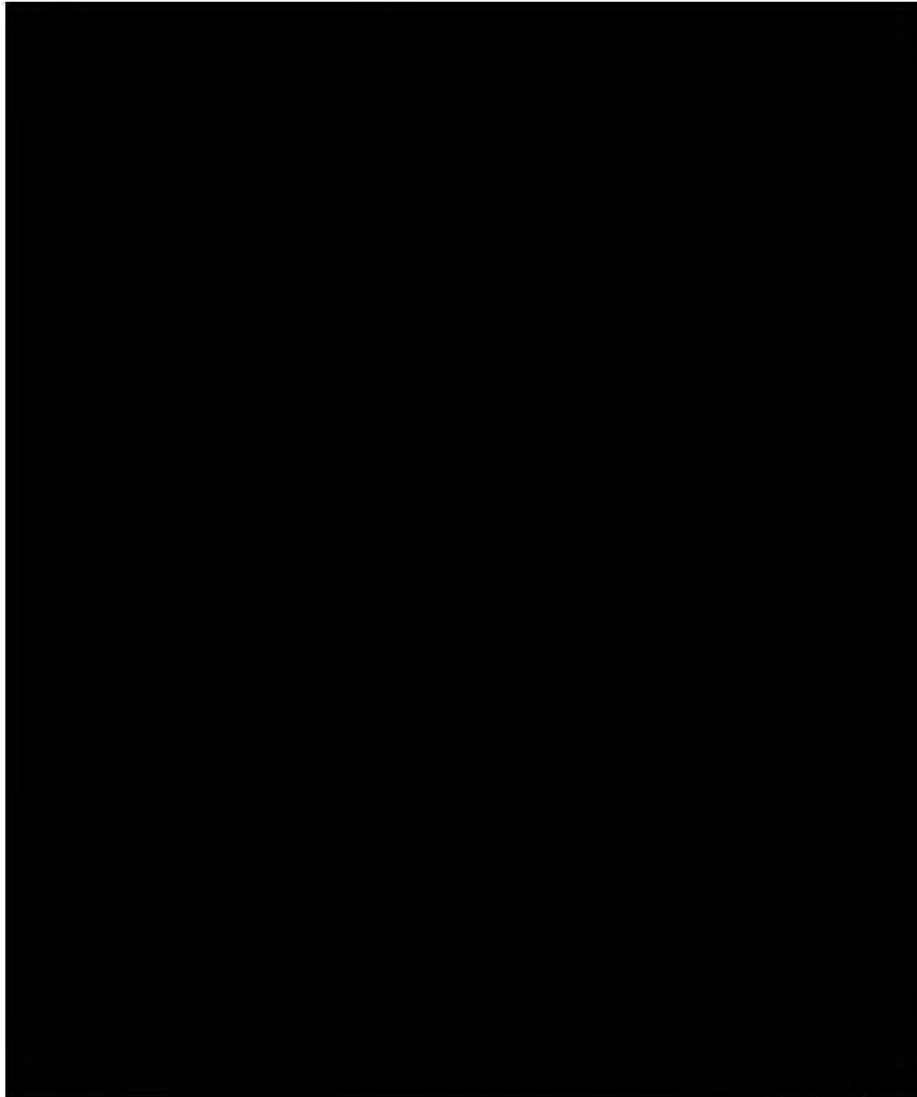
Transport Scotland requires visibility of the Operator’s organisation of the Contract during the mobilisation phase, including the lines of command and communication links between all parties; Operator, subcontracted service providers, the Scottish Ministers and their representatives.

As the current Operator, the transition between the current and new contracts is de-risked. CFL has in place robust operational processes that will continue to apply during mobilisation.

Our governance arrangements for mobilisation show how we will ensure that Scottish Ministers have complete transparency for mobilisation activity, as for current operations. Figure 2.2 (b) illustrates the lines of command and communication links.

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

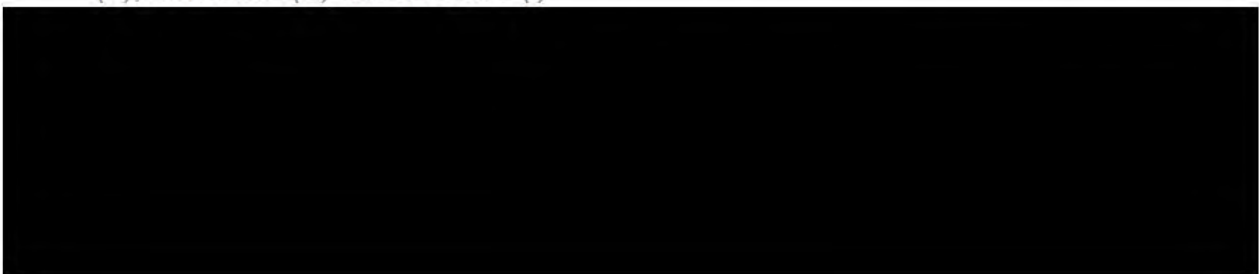
Membership of the governance groups and frequency of their meetings will be finalised following Contract Award.



*Figure 2.2 (b) Organisation structure during mobilisation.*

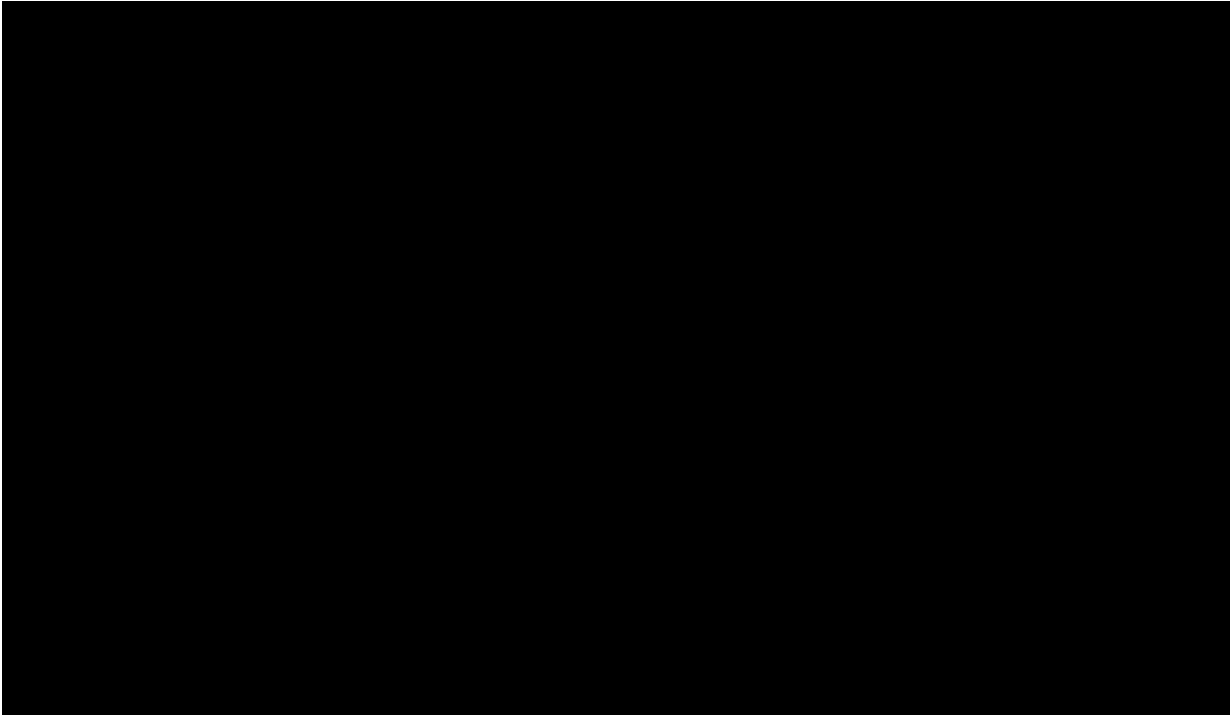
We have identified clear lines of responsibility and accountability during mobilisation, as shown in Table 2.2 (a) below. Table 2.2 (b) identifies the roles and responsibilities of the members contributing to our governance structure, demonstrating our commitment to ensuring transparency and clear communication throughout mobilisation.

*Table 2.2 (a) The matrix below identifies those that are Responsible (R), Accountable (A), Consulted (C) and Informed (I)*





*Table 2.2 (b) Programme governance and lines of communication*



#### Operational phase

Figure 2.2 (c) illustrates our lines of command and communication links during the operational stages of the contract.

As Chief Executive of the Group and Managing Director of CFL, Martin Dorchester, is a member of the CFL Executive, reporting to the CFL / DML Board which, in turn, communicates with the Scottish Ministers.

We confirm that any proposed changes to our organisation structure will not alter overall governance arrangements or interfere with existing lines of command and communication.

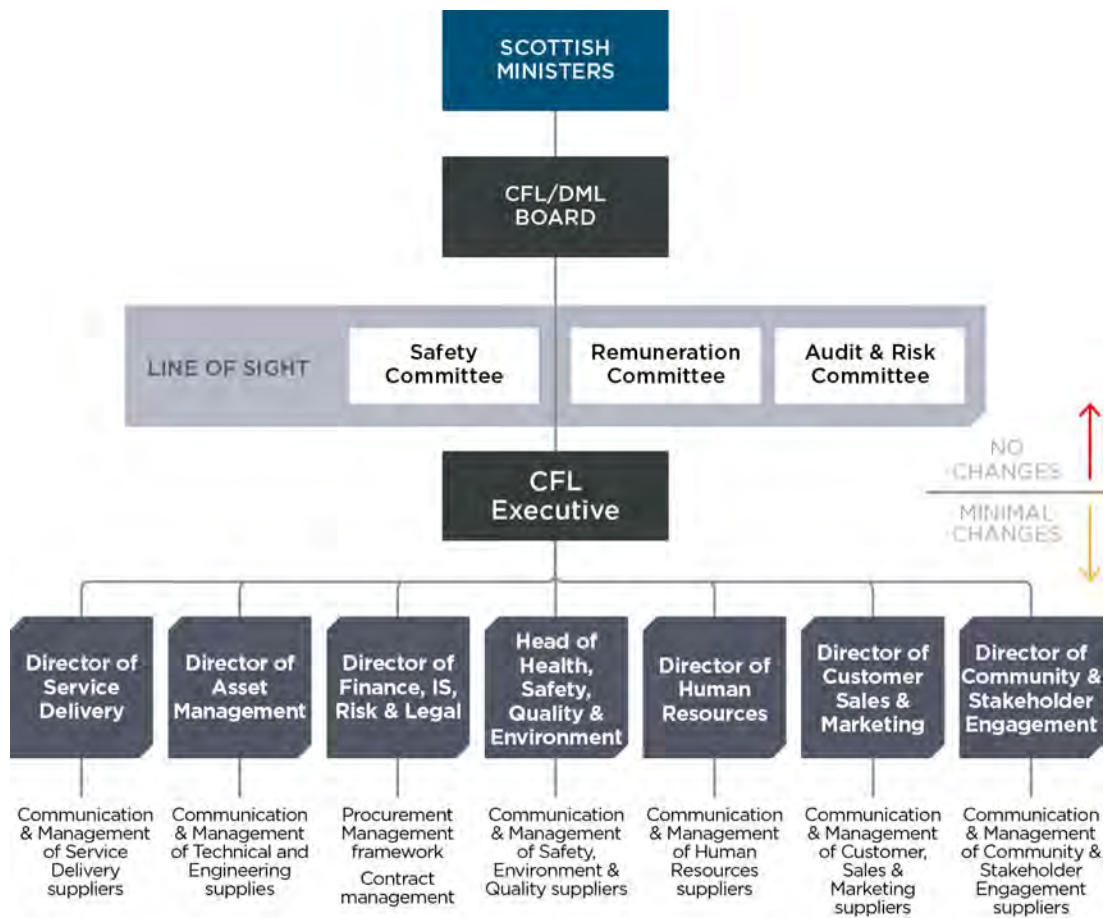


Figure 2.2 (c) Organisational structure and lines of command and communication during operational stage.

**Managing and mitigating risks**

As the current Operator we have a competent, committed team in place which delivers the current Contract to a very high standard. Feedback from Transport Scotland at our last Contract review (Sept 2014) was extremely positive and resulted in an overall rating of excellent (88%).

In identifying the most appropriate organisational structure for the Contract, we have identified a series of risks and their appropriate mitigation measures:

Risk	Mitigation
Unavailability of the right people, to be in place from day one of Contract. Impact: quality management structure not in place on contract commencement could negatively impact performance.	Competent, experienced team in place from day one.
Parochialism. Impact: reluctance to continuously improve and to work with partner organisations.	Provide an environment that encourages collaboration i.e. through our adoption and compliance with BS 11000 - Collaborative Business Relationships.
Unclear terms of engagement for working with third parties. Impact: subcontractors do not fulfil quality	Build and sustain relationships with subcontractors to ensure a clear understanding and full compliance with service level agreements, policies and procedures that ensure customer / client

Risk	Mitigation
requirements due to unclear specifications, resulting in customer / client dissatisfaction.	satisfaction.

**Proposed person who shall have defined authority for establishing, maintaining and reporting on the Quality Management System**

Transport Scotland requires the identification of an individual with defined authority for establishing, maintaining and reporting on the QMS, during the mobilisation and operational stages of the Contract.

Our Head of Health, Safety, Quality & Environment [redacted] shall have defined authority for establishing, maintaining and reporting on the QMS. His role profile is detailed below.

**Head of Health, Safety, Quality & Environment - role purpose -**

To ensure the Contract operates to the highest standards of safety and to comply with all good-practice quality and environmental standards.

**Key outputs**

- » Health, safety, quality and environmental strategy and plan
- » Delivery against the Health and Safety Plan, Environmental Management Plan and Quality Management System
- » 100% safety record

**Key accountabilities**

- |                                  |   |
|----------------------------------|---|
| Fleet Safety                     | <ul style="list-style-type: none"> <li>» Safety and security management – vessels</li> <li>» Vessel compliance</li> <li>» Management of relationships with and performance of all partners and suppliers associated with fleet safety</li> </ul>  |
| Network Safety                   | <ul style="list-style-type: none"> <li>» Safety and security management – ports and harbours</li> <li>» Ports and harbours compliance</li> <li>» Corporate health and safety</li> <li>» Management of relationships with / and performance of all partners and suppliers associated with network safety</li> </ul>  |
| Compliance and Company Standards | <ul style="list-style-type: none"> <li>» Health and safety management, processes and reporting</li> <li>» Quality management and processes</li> <li>» Assurance of existing quality protocols (e.g. ISO) and emerging protocols (e.g. Transport Scotland Service Quality Regime)</li> <li>» Assurance of environmental quality and standards</li> <li>» Management of relationships with / and performance of all partners and suppliers associated with quality</li> </ul> |

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*Figure 2.2 (d) HSQE organisational structure, featuring roles for maintaining and reporting on the QMS.*

#### Challenges and constraints

To effectively establish, maintain and report on the QMS is challenging and demands particular skills and attributes. Strong relationship management skills are required to secure the engagement and commitment of the HSQE team and the wider organisation to ensure the effective implementation of the QMS. Such relationship management skills must also ensure the engagement of stakeholders, subcontractors and other appropriate external partners.

Particular technical expertise is also required to deliver quality that provides assurance of compliance with contract requirements.

- [Redacted]
- [Redacted]
- [Redacted]
- [Redacted]

### International opportunities for innovation

Engagement in international partnerships keeps CFL at the forefront of innovation. Initiatives such as Seahorse (Safety Enhancements in transport by Achieving Human Orientated Resilient Shipping Environment) enable us to respond to innovation and best practice, raise the profile of our Service and build relationships with international partners.

The aim of the project is to enable a step-change in maritime safety through the application of technology used in air transport, focusing on human factors problems to develop integrated solutions and resilient shipping operations.

CFL is a member of the consortium bringing together the air and maritime transport sectors. Other members of the consortium and advisory board include University of Strathclyde, Lloyd's Register, Airbus, Satakunta University of Applied Sciences, Loganair, Brussels Airlines, Danaos Shipping and the Maritime Coastguard Agency.

### Managing and mitigating risks

The identification of an appropriate person with defined authority for establishing, maintaining and reporting on the QMS raises particular risks which are:

Risk	Mitigation
Having someone who does not have the suitable experience and qualifications. Impact: QMS not effectively established, maintained and reported on, negatively impacting on performance of the Contract.	Ensure an appropriately qualified, experienced individual nominated for this role.
Loss of a critical member of staff; in particular, the Head of Health, Safety, Quality and Environment. Impact: loss of expertise impacts on implementation of QMS.	Accountability and responsibility arranged across the team, with plans in place to enable an appropriate person to become available for covering a critical vacancy.

Our approach overcomes these risks and will ensure the effective management of quality throughout the mobilisation and operational stages of the Contract.

### The structure and content of typical quality control procedures to be used on the contract

CFL's QMS is a combination of our Quality Policy and our business processes contained within our Company Management System (CMS) and controls. It is compliant with the requirements of ISO 9001:2008, ISO 14001:2004 and the International Safety Management (ISM) code.

As a continually improving business we have already started the process of transition to the new ISO 9001:2015 standards and are working towards upgrading our systems to ensure we comply with both ISO 9001:2015 and ISO14001:2015 standards well before the 2018 deadline.

With a release date set for October 2016, ISO 45001 this ISO standard will replace the recognised BS OHSAS 18001. The standard requires that Occupational Health

and Safety (OH&S) risks are addressed and controlled; it also takes a risk-based approach to the OH&S management system itself, to ensure it is

- » Effective
- » Improved to meet an organisation's ever-changing "context"

This risk-based approach is consistent with the way organisations manage their other "business" risks and hence encourages the integration of the standard's requirements into organisations' overall management processes. This risk-based approach will align fully with the new 2015 standards for 9001 and 14001, quality and environment respectively.

Accreditation of our Health and Safety System will complement our QMS.

#### Content of our quality control procedures

We confirm that our quality control procedures fully adhere to the requirements of ISO 9001 and comprise of the following structure:

- [Redacted]
- [Redacted]
- [Redacted]
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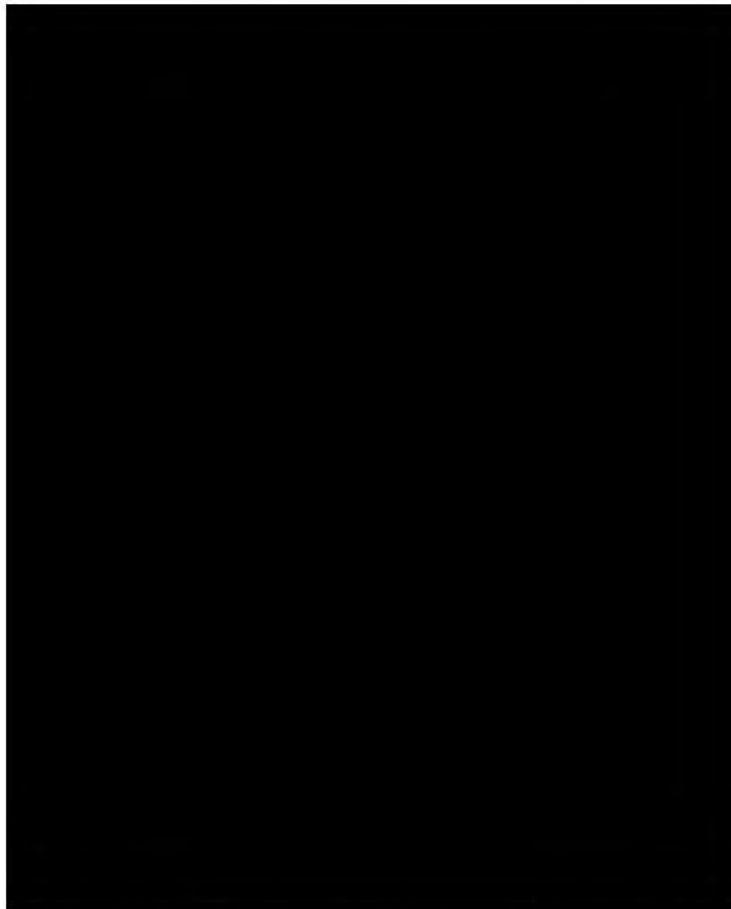


Figure 2.2 (e) Illustration of CFL quality control procedure cover page aligned with ISO 9001 requirements.

Examples of our quality control procedures for conducting audits and our staff lifejacket register can be found in 2.2 Appendix A and 2.2 Appendix B.

### Challenges and constraints

Ensuring the structure and content of our quality control procedures meet the requirements of this complex Service presents challenges. [REDACTED]

### Managing and mitigating risks

Our detailed understanding of the challenges of implementation and delivery of quality control procedures has led us to identify the risks described with measures for their mitigation as follows:

Risk	Mitigation
Inadequate quality control procedures lead to failures in operational and service delivery. Impact: do not meet contractual requirements.	Proven quality control processes and procedures in place to cover all operations.

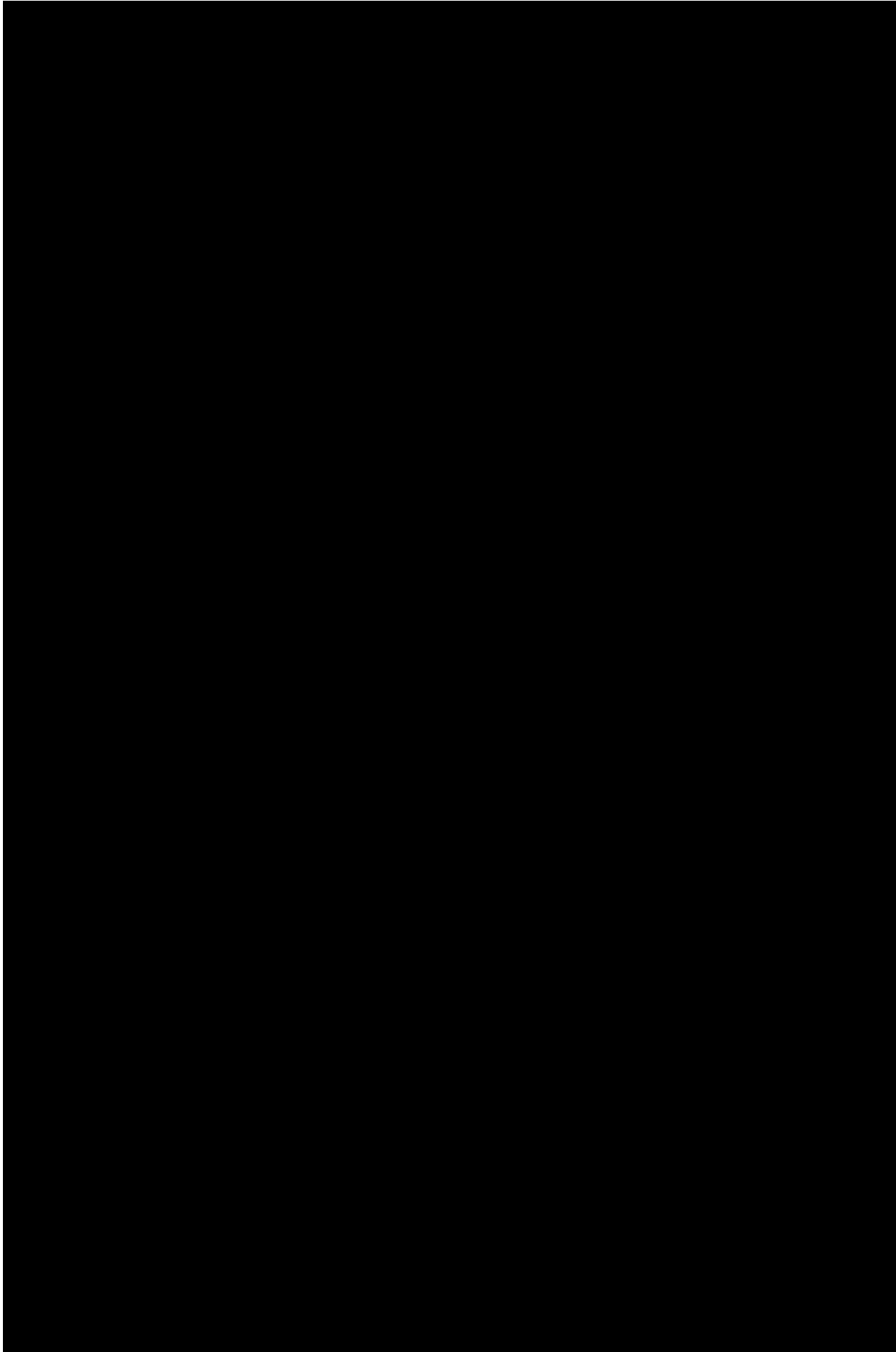
Risk	Mitigation
<p>Inconsistent adherence to quality control procedures. Impact: varying quality of performance and inconsistent experience for customers.</p>	<p>Those responsible for implementing quality control procedures are fully trained and qualified. Confirmation that working practices are adhered to via the audit function.</p>
<p>Out of date QMS. Impact: limits the effectiveness of our quality control processes and procedures. Impact: ISO 9001 Accreditation is lost</p>	<p>Regular review of the content of our QMS and our quality control procedures, together with an LRQA audit will capture and highlight updates for inclusion.</p>

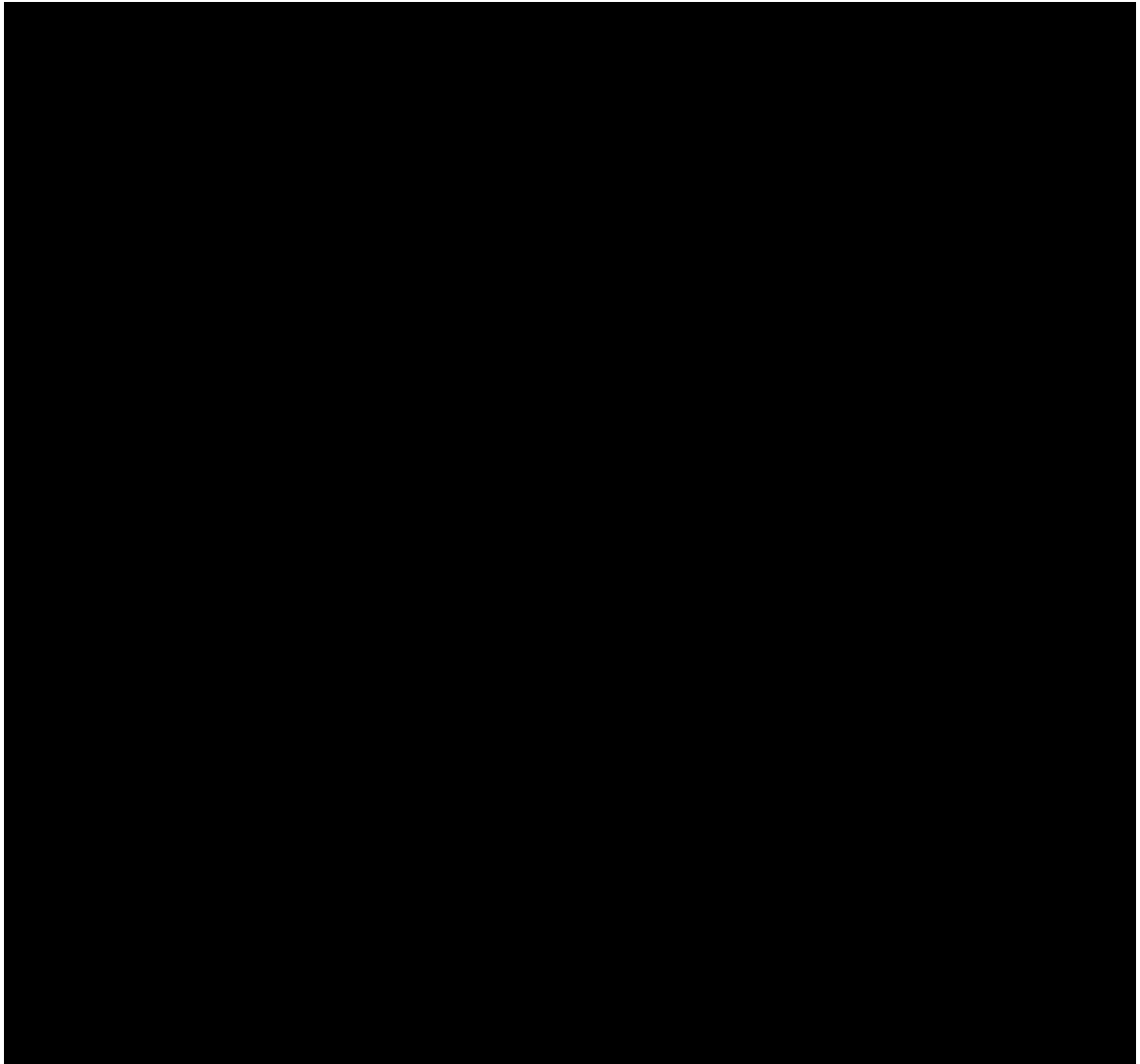
**(iv) A list of procedures to be included in Quality Management System for mobilisation and operational phases showing their hierarchy and interface**

Transport Scotland requires a list of procedures to be included in the Quality Management System for mobilisation and operational phases of the Contract, illustrating their hierarchy and interfaces.

**Structure of our QMS**

Figure 2.2 (f) illustrates the list of procedures and hierarchy of our QMS from Group policies detailed in management manuals, delivered through operational manuals that guide our standard operating procedures. Lessons learned are captured, recorded and retained, contributing to our achievement of continuous improvement.





*Figure 2.2 (f) the structure of our QMS ensures that group policy is effectively delivered at operational level and that systems are in place to ensure opportunities for continuous improvement are captured and shared.*

### **Mobilisation**

In order to deliver mobilisation on time and to budget meeting the requirements of Transport Scotland, our strategy will be to adopt the principles of a proven project management process. This will provide certainty of on-time delivery, within scope and cost. CFL will adopt the principles of the proven Cabinet Office methodologies of Managing Successful Programmes (MSP) and Projects IN a Controlled Environment (PRINCE2), already in use in our Programme Management Office for our current change projects.

The specific procedures to be implemented are detailed below.

### **Governance and control**

Our governance arrangements show how we will ensure that Scottish Ministers have complete transparency for mobilisation activity. Figure 2.2 (b) shows the interfaces between the CFL Executive, Programme Board and Transport Scotland. On Contract

Award our mobilisation project team, based in Gourock, will finalise the project governance arrangements.

[REDACTED]

[REDACTED]

[REDACTED]

#### *Risks, issues, assumptions and dependencies management*

We will use a log for recording all Risks, Assumptions, Issues and Dependencies (RAID), it will include the following:

- » A Risk Register (based on management of risk) for capturing and monitoring risks
- » An Issues Log with a description of each issue and its impact, seriousness and description of actions needed to contain and remove it

- » An Assumptions Log containing those factors that CFL assumes will be in place that will contribute to the successful result of the project
- » A Dependency Log for capturing who / what the mobilisation project is dependent on, with details of who / what should be delivered and when

#### *Lessons learned*

Following mobilisation we will produce a Lessons Learned Report, providing analysis of feedback gathered during a lessons learned workshop, which will focus on the following key themes:

- » What worked well and should be repeated
- » What did not work well and should not be repeated
- » What should be done differently

While not required to provide visibility or transparency of progress during mobilisation, we will share this report with Transport Scotland to help identify any inputs that would improve reporting during the contract delivery period.

#### *Operational phase*

Developed in accordance with our Quality Policy, our QMS detailed in Figure 2.2 (f) encompasses all quality related business processes contained within our CMS and related controls. [REDACTED]

[REDACTED]

[REDACTED] Below we detail each component part of our QMS, which will enable effective quality management and control during our operations.

Our system is managed through staff training, having a company culture that embraces quality, and compliance with the relevant legislation in our policy and procedures.

#### *Business Continuity Plan (BCP) and Disaster Recovery*

Our Business Continuity Plan (BCP) ensures that all aspects of our organisation have an effective framework, which is underpinned by suitable processes providing resilience against possible disruption to operations. The plan provides assurance regarding our having in place the capability to manage any incident that may lead to our business being disrupted and our reputation being put at risk, as a result.

The BCP contains the critical activities and functions required to continue service in the event of a partial or complete failure of any key component if a disaster should affect any part of our operations. Our BCP covers: terminal buildings, vessels and harbours, key equipment (link-spans), people (skills), the supply chain and business functions, while our Disaster Recovery Plan (DRP) covers the technology that supports and underpins business continuity.

Our BCP has been developed to take into account our responsibility under the Civil Contingencies Act as a Category 2 Provider and Preparing Scotland for Emergencies document issued by Scottish Government. To support the development of our BCP

we have established membership and frequently attend various resilience groups led by the Government, councils, suppliers, utilities, transport operators and government agencies.

Our BCP and DRP are regularly reviewed and tested to ensure they continue to meet the needs of the business.

*Risk management*

Critical activities and functions that are essential for business continuity are identified using the company's Enterprise Risk Management (ERM) framework. We ensure that all risks with the potential to have an adverse impact on CFL's ability to deliver its strategic, business and operational objectives are proactively identified, regularly assessed and reviewed, appropriately managed and escalated.

The validation of these critical activities and functions is supported by our ERM process to support all parts of the business in the identification, assessment and management of uncertain events that have the potential to benefit (opportunity), and / or seriously damage (risk) our ability to deliver our strategic, business and operational objectives.

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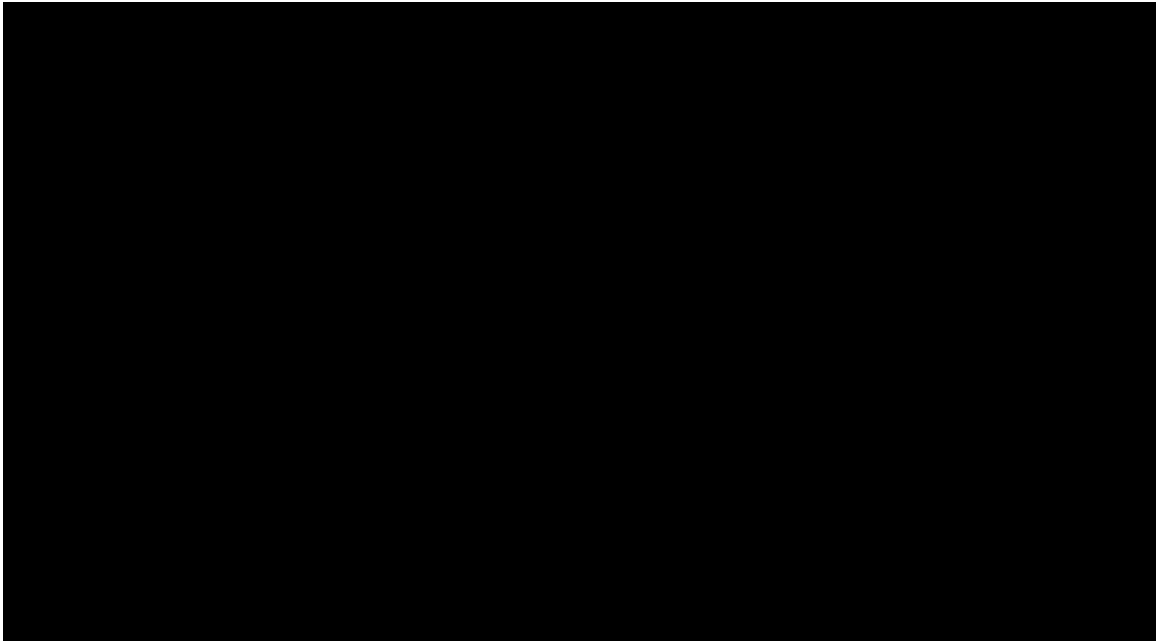


### *Leadership*

The CalMac Silver Team (CST) was set up to align our response capability to the structure used by Tier 1 responders such as Police Scotland, Scottish Fire and Rescue Service, the Maritime and Coastguard Agency and the Scottish Ambulance Service under the Civil Contingencies Act. By aligning our response structure, CFL is well placed to assist in events where a co-ordinated multi-agency response is required.

Membership of our CST is defined with representatives of all business areas within CFL. A dedicated conference call facility is used to ensure a quick response, while an emergency response room is available in Gourock, which contains all necessary contacts, drawings and plans, to facilitate an informed and accurate response to any disruption or emergency. An example of the type of information maintained is shown in Figure 2.2 (i).





#### *Contingency planning for operations of service*

We undertake a variety of vessel and shore-side drills that are primarily identified through legislative requirements, and we support these with additional drills identified through our risk assessment and business continuity needs.

- » **Shore-side:** A variety of exercises are held involving our shore based CST. Exercises cover security, safety and environmental scenarios, as well as focusing on our ability to recover from an emergency / crisis to continue service delivery.

In addition to the scheduled exercises, regular joined exercises are held with Police Scotland, the Scottish Ambulance Service (SAS), the Scottish Fire and Rescue Service, Ministry of Defence (MOD), Police and the Coastguard

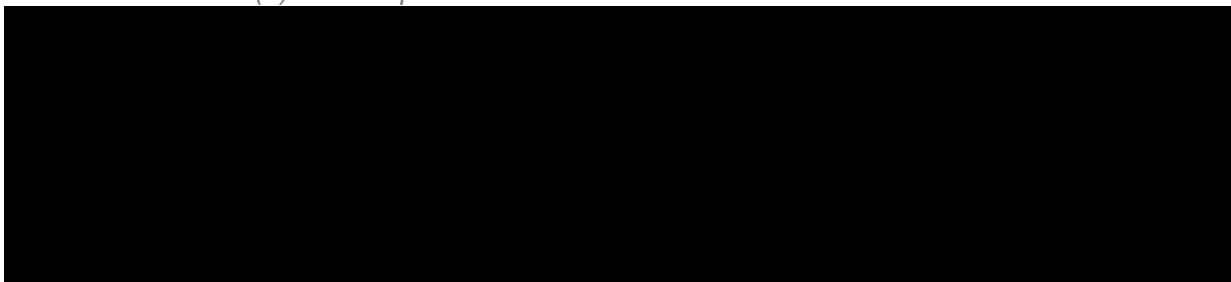
- » **Vessels:** We have a matrix of drill types and frequencies determined by vessel class. All drills listed below are subject to both a generic risk assessment as well as a vessel specific one covering the unique hazards of a particular vessel.

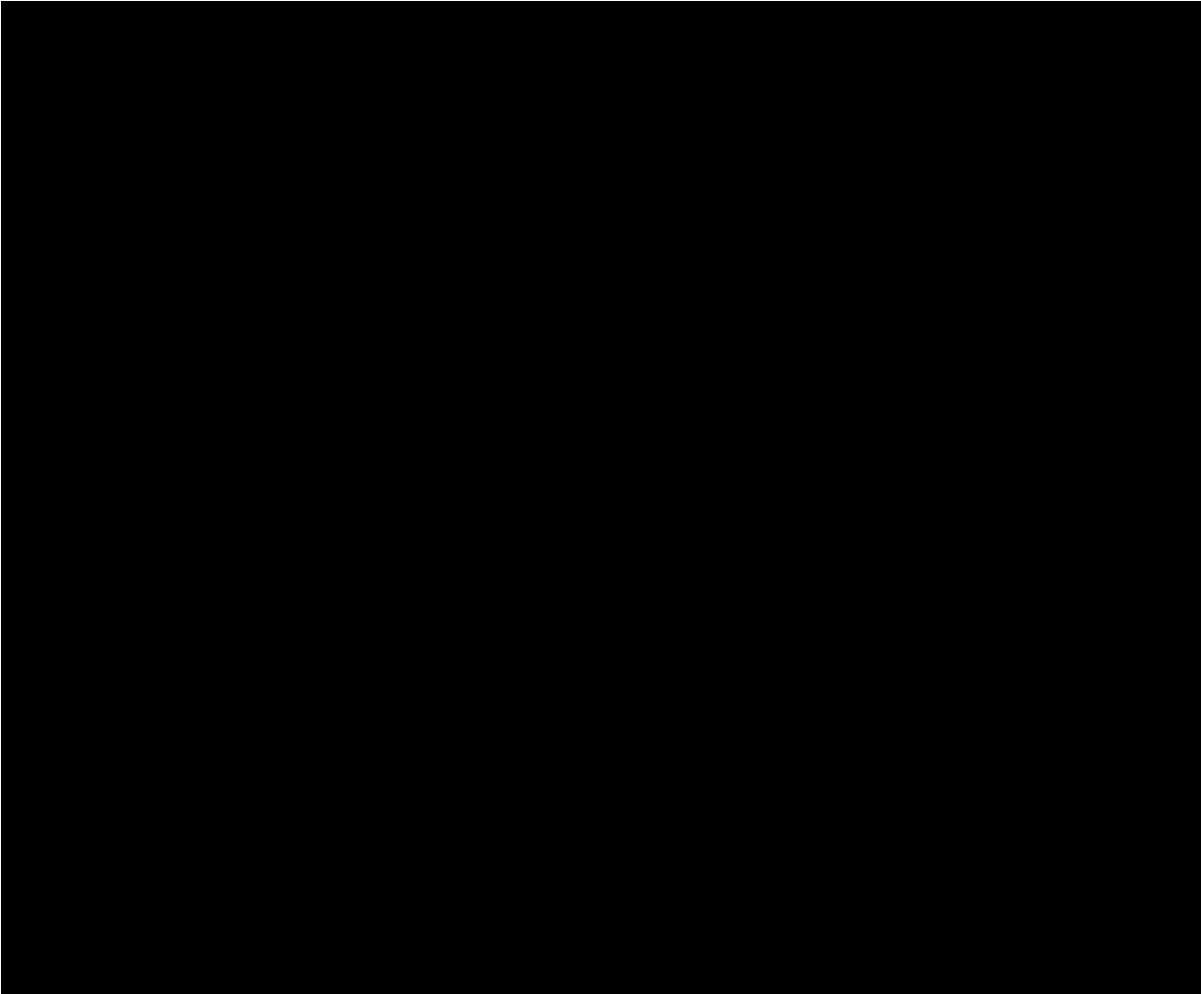
All scenarios are periodically exercised.

- » **Ports:** Similar to vessels, response capabilities at ports are regularly exercised. Scenarios for drills and exercises are listed in the Port Operations Manual, The Port Emergency Plan, the Oil Spill Contingency plans and the Port Facility Security Plan.

We will use our proven practices and drills to ensure that our officers, crews and response teams from the shore are all fully effective, if needed. Details of our drill frequencies are indicated in the table 2.2 (d):

*Table 2.2 (d) Drill frequencies.*





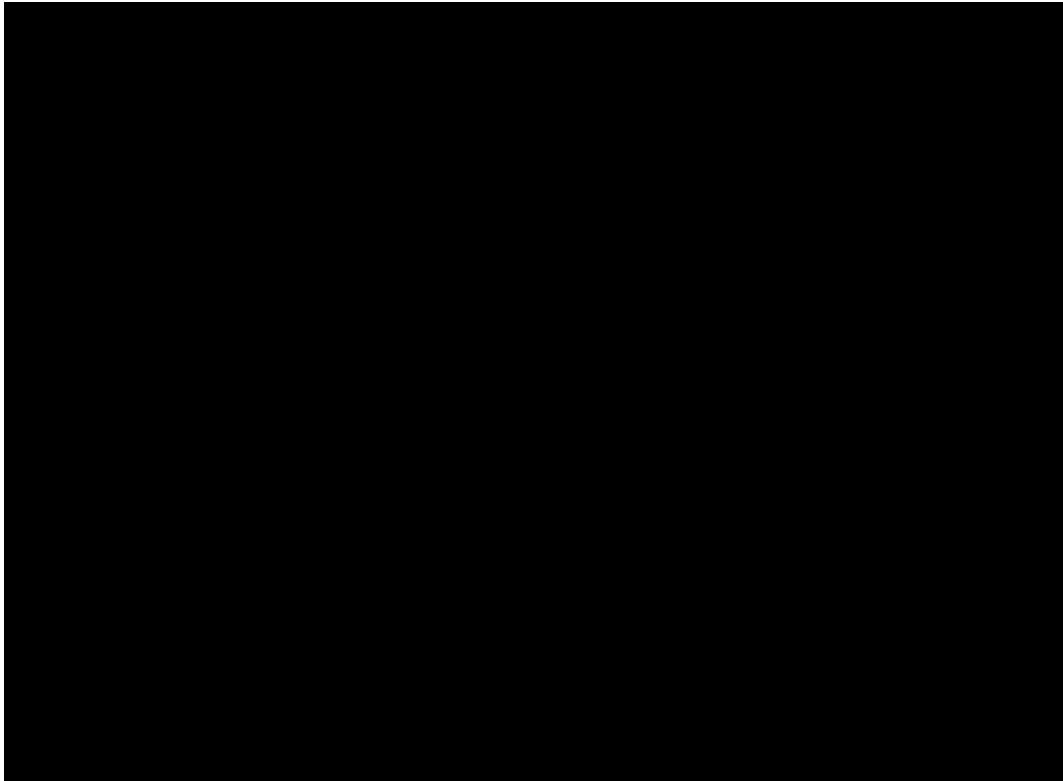
In addition to the drills outlined above, twice a year we undertake a simulation of an emergency situation, involving personnel from across our network as well as external participants and members of our CST. These exercises ensure that we are always fully capable of responding to an emergency situation.

Contributing significantly to our continuous improvement, they enable us to learn from the experiences they provide in order to anticipate and to mitigate against the risk of accidents / incidents occurring. We have aligned our silver emergency response provision with that for blue light emergency services in order to achieve optimum effectiveness as a result of compatibility in our combined operations.

**(v) A list and structure of procedures for monitoring of the Quality Management System**

We adopt a cyclical process for monitoring our Quality Management System to ensure that all our processes and procedures deliver their intended results, while fully complying with all applicable requirements.

Our proven 'plan, do, check, act' methodology ensures that objective setting is fully supported by appropriate procedures to achieve certainty in achieving successful outcomes. Ongoing progress monitoring makes it possible for actions to be taken, as necessary, to ensure that plans remain on track with any improvement opportunities identified and implemented, as supported by the model in Figure 2.2 (j).



*Figure 2.2 (j) The plan, do, check, act approach that underpins monitoring of our QMS.*

#### *Review*

Acting on behalf of the Board, our Group risk and audit committee is required to ensure the adequacy and effectiveness of all policies and procedures we adopt, making certain that they comply with all legislation and other company requirements. The committee advises the board on the planned activity and results of both internal and external audits.

As standard practice the appropriate section of our QMS is reviewed monthly by our vessel Masters and our entire QMS is reviewed annually. A management review report is prepared by our Head of Health, Safety, Quality and Environment, prior to being submitted to our Executive Board for approval. In addition, we undertake ad hoc reviews as required when a major change occurs, such as the introduction of a new vessel or changes in legislation.

A recent Management Review Report, dated 22 April 2015 and prepared by our Head of Health, Safety, Quality and Environment can be found in 2.2 Appendix C.

#### *Internal quality auditing*

Our HSQE department is responsible for managing the audit process; detailing the areas to be audited and appointing trained auditors. All internal auditors have appropriate training and experience, and are required to be independent of the area they are appointed to audit to ensure impartiality. They are responsible for preparing audit plans, checklists and the audit report, while the auditee is responsible for providing the necessary facilities and information to the auditor.

In addition, the Service Delivery department will carry out twice-yearly inspections on each vessel. These focus on compliance with the QMS and relevant regulations.

### *External quality auditing*

CFL's QMS is accredited to ISO 9001:2008. External auditing against our accredited system will continue to be carried out by LRQA. Our internal audit programme is subject to external audit as a part of this process.

### *Lessons learned approach*

We recognise the value of lessons learned and through our established process of fully investigating all instances of non-compliance, near misses, accidents and incidents using root cause analysis, we will be able to identify trends and causes, so that we implement preventive actions as necessary.

### *Benchmarking*

To inform our monitoring we carry out external assessment and benchmarking to measure ourselves against standards and other companies. Targeted actions for improvement are agreed using this approach.

### *List of procedures*

Our procedures for monitoring our Quality Management System include:

- » Management Review of the Group Management System
- » Master's Reviews of the management system
- » Internal audit procedures
- » Preventive Action
- » Corrective Action
- » Control of documentation
- » Control of records
- » Customer communication (including customer complaints)
- » Review of requirements related to the service (Contract review)
- » Performance Monitoring
- » Recording of Statistics
- » Input of Statistics
- » Analysis / Output of Statistics
- » Control of suppliers

[REDACTED]

[REDACTED]

- [REDACTED]
- [REDACTED]
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## 2.2 Appendix B

### Quality Control Procedure for Staff Life Jacket Use

#### Introduction

Falling, unexpectedly, fully clothed into water and trying to swim or co-operate with rescuers is often extremely difficult. When the strong currents and low water temperature often experienced in the harbours in which CFL operates are added to the equation, even strong swimmers may experience problems.

Where there is a risk of falling into water and drowning, it is company policy that staff must wear a lifejacket.

#### Purpose and Applicability

To provide shore-based staff with instruction on servicing of the lifejackets used by them in the course of their duties (for assistance, guidance is also provided below on their selection, use and maintenance). Applying to all ports

#### Lifejackets

##### (i) CE Marking

Since 1st July 1995, new buoyancy equipment has been required to be 'CE' marked in accordance with the requirements of the Personal Protective Equipment Regulations. The CE mark signifies that the equipment satisfies the safety requirements of the PPE Regulations. In most cases buoyancy equipment that is CE marked will be made to one of a series of harmonised European Standards entitled "Life jackets and personal buoyancy aids".

It has been illegal since 1st July 1995 for manufacturers to place any item of buoyancy equipment on the market that does not carry the CE mark.

It is Company policy to only use equipment that is CE marked.

##### (ii) Selecting buoyancy equipment

When selecting buoyancy equipment, consideration should be given to a number of factors such as frequency of use, size / weight of the wearer, ability to swim, protective clothing in case of foul weather, use of tool belts or other loads, likely weather / water conditions at site and availability of help.

There are two distinct levels of buoyancy equipment: the buoyancy aid and the lifejacket.

Buoyancy aids are considerably inferior in performance to lifejackets, and should only be used in situations where there is little risk of the wearer being unconscious.

It is CFL Policy that only self-inflating lifejackets are used.

The primary aims of wearing a lifejacket are:

- » To support the wearer in reasonable safety in the water, particularly if that person is unable to swim, is exhausted, injured, unconscious or otherwise incapacitated. In the case of automatically operated lifejackets, to perform in this way without any intervention on the part of the wearer, except in initially donning the lifejacket

- » To enable the wearer to propel himself in the water without it being an encumbrance
- » To support the wearer, enabling his efforts to be expended in recovery rather than in remaining afloat
- » To assist the recovery of the wearer

Combined British and European Standards (BS ENs) exist for lifejackets. Each standard is intended to be suitable for different activities in various risk situations and equipment needs to be selected from the appropriate standard, taking into account the factors already mentioned.

### **(iii) Pre-wear checks**

A pre-wear check needs to be carried out each day the lifejacket is used. This should be carried out in accordance with manufacturers' instructions and will normally include visual checks to ensure:

- » The firing mechanism has not been activated
- » The automatic firing capsule and gas cylinder are correctly screwed into place
- » There are no signs of corrosion, cracks or dents in gas cylinder or firing capsule
- » Unwanted movement within the firing mechanism ('creepage') has not occurred. Some automatic inflation mechanisms have indicators to show when compression in the spring has been lost. Examination of the piston or other visible component may also show whether 'creepage' has happened
- » The whistle (and light where fitted) is in position
- » The oral inflation tube (where fitted) is capped
- » The straps and main body of the jacket are not worn or damaged
- » The jacket is correctly packed in accordance with the manufacturer's instructions (ensuring that any Velcro is correctly fastened and the manual inflation lanyard / toggle is accessible)

### **(iv) Storage**

Exposure to damp, humid conditions could lead to deterioration in the automatic inflation mechanism known as 'creepage'. This has the potential to lead to failure of the pin to pierce the CO<sub>2</sub> gas cylinder.

Lifejackets need to be stored in suitable dry conditions. The following advice should be followed when storing lifejackets:

- » Do not hang lifejackets up with wet immersion suits or other damp clothing
- » If the lifejacket is wet, unpack it and leave it to dry out on a hanger
- » Do not store lifejackets close to or directly above heat sources
- » Do not store lifejackets upside down, this is to prevent water getting in to the automatic inflation mechanism
- » Make sure there is enough space around the lifejacket, when it is stored, to allow the air to circulate



**(v) Inspection and maintenance**

As well as pre-wear checks, more thorough inspection and testing needs to be carried out in accordance with manufacturers' instructions.

Where lifejackets are worn frequently, the periods between inspections may need to be shorter than the quarterly inspection recommended by some manufacturers. For example, where lifejackets are used daily in a hostile environment, monthly inspections may be necessary.

Inspection and testing needs to be carried out by those trained and competent in recognising defects in the lifejackets and the remedial action to be taken.

Records need to be kept of all inspections and corrective actions made.

**(vi) Servicing**

In addition to the pre-wear checks and inspections, manufacturers will recommend lifejackets are fully serviced biennially, either by themselves or appointed service agents. Where lifejackets are used frequently, however, a more frequent service may be needed.

It is CFL Policy that all shore staff lifejackets are serviced at least every 12 months.

Where lifejackets rely on bobbins and gas cartridges to activate the inflation chambers, it is advisable that the manufacturer, or their recommended service agent, services these annually

If any defects are found with either the gas cylinder or the automatic inflation mechanism, these parts must be replaced. If the lifejacket is in need of repair, it should be returned to the manufacturer.

Repairs should only be carried out by those approved by the manufacturer

Work Instruction

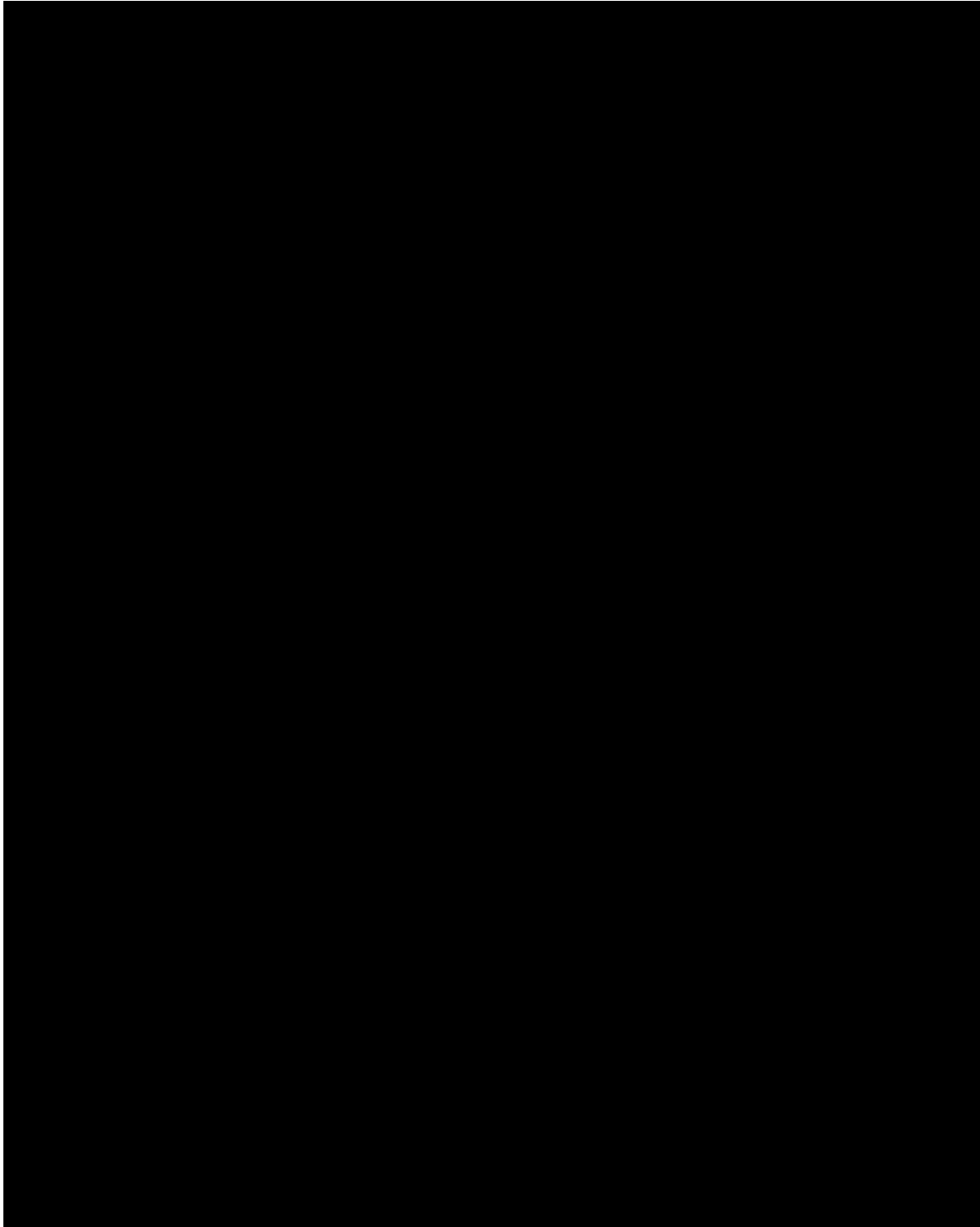
- 1 For each location, which they are responsible, the site manager shall enter the details, of all lifejackets for staff use at that location, in the Staff Lifejacket Register (Form 2.151)
- 2 The 'appointed person' field on the Staff Lifejacket Register shall be populated with the name of the person responsible for that site(s)
- 3 The Certificate of Conformity, and subsequent Service Certificates, shall be filed in sequential order, behind the Staff Lifejacket Register
- 4 A method shall be established for correlating information held on the Staff Lifejacket Register and the subsequent records for each Lifejacket
- 5 Records (Certificates of Conformity, Inspection Reports, Service Certificates etc.) from the preceding 2 years shall be kept for each Staff Lifejacket
- 6 If copies of older documentation are to be retained, it shall be kept in a separate file clearly marked obsolete Lifejacket documentation
- 7 Lifejackets must be stored in conditions that do not lead to damage or deterioration

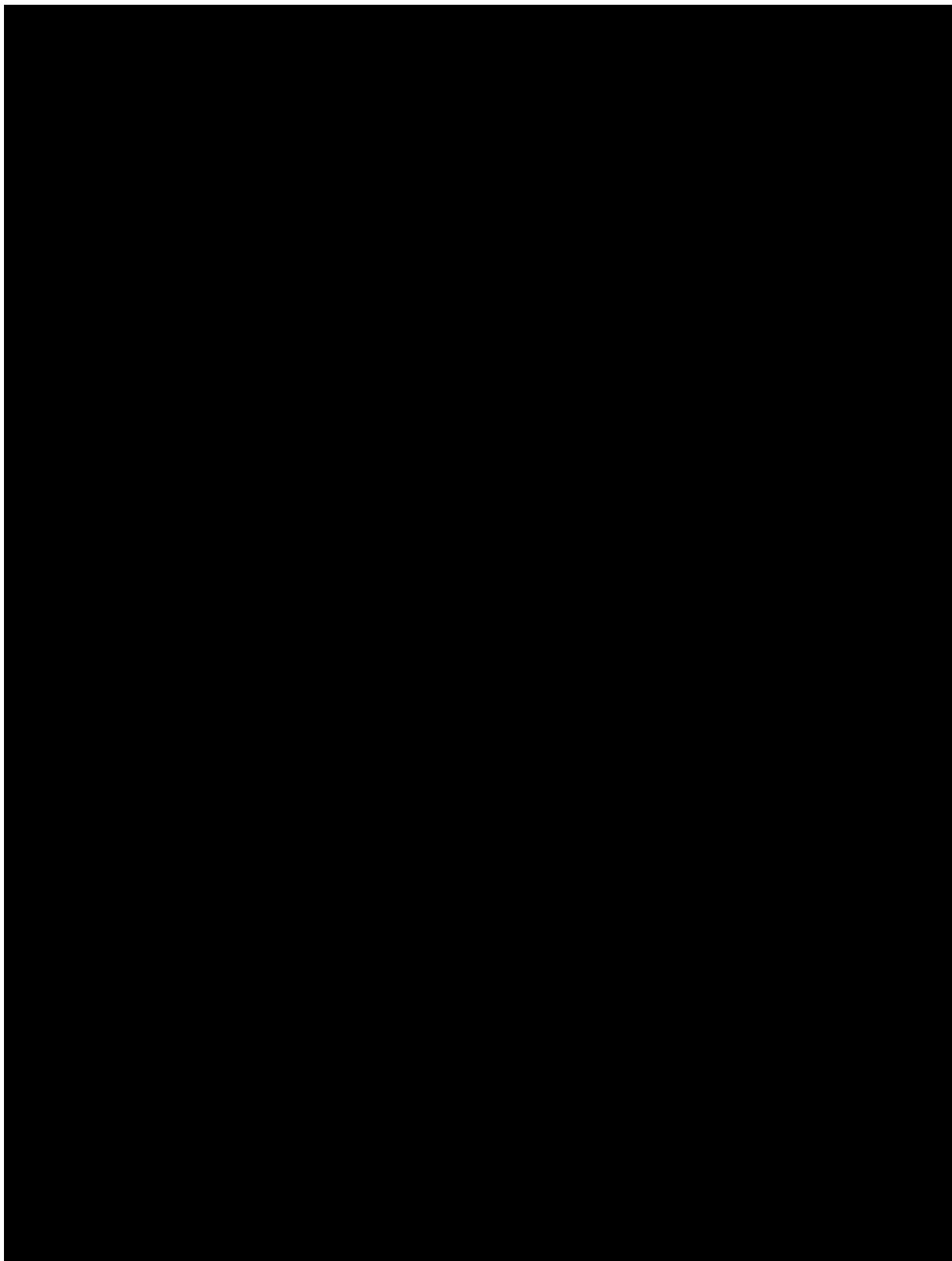
*Issued by: Safety, Environmental and Security Department, Date: 18th June 2015*

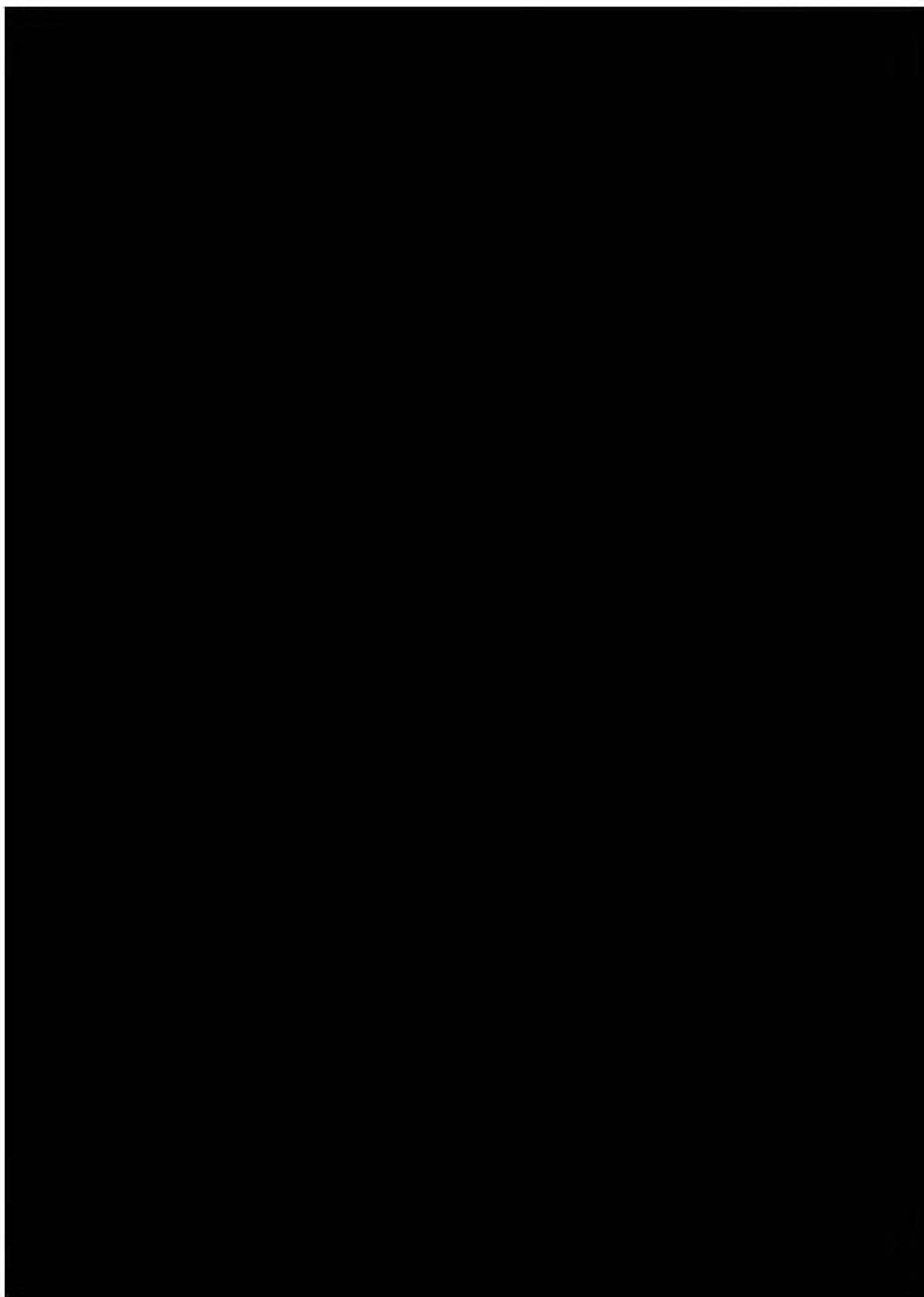
## **2.2 Appendix C**

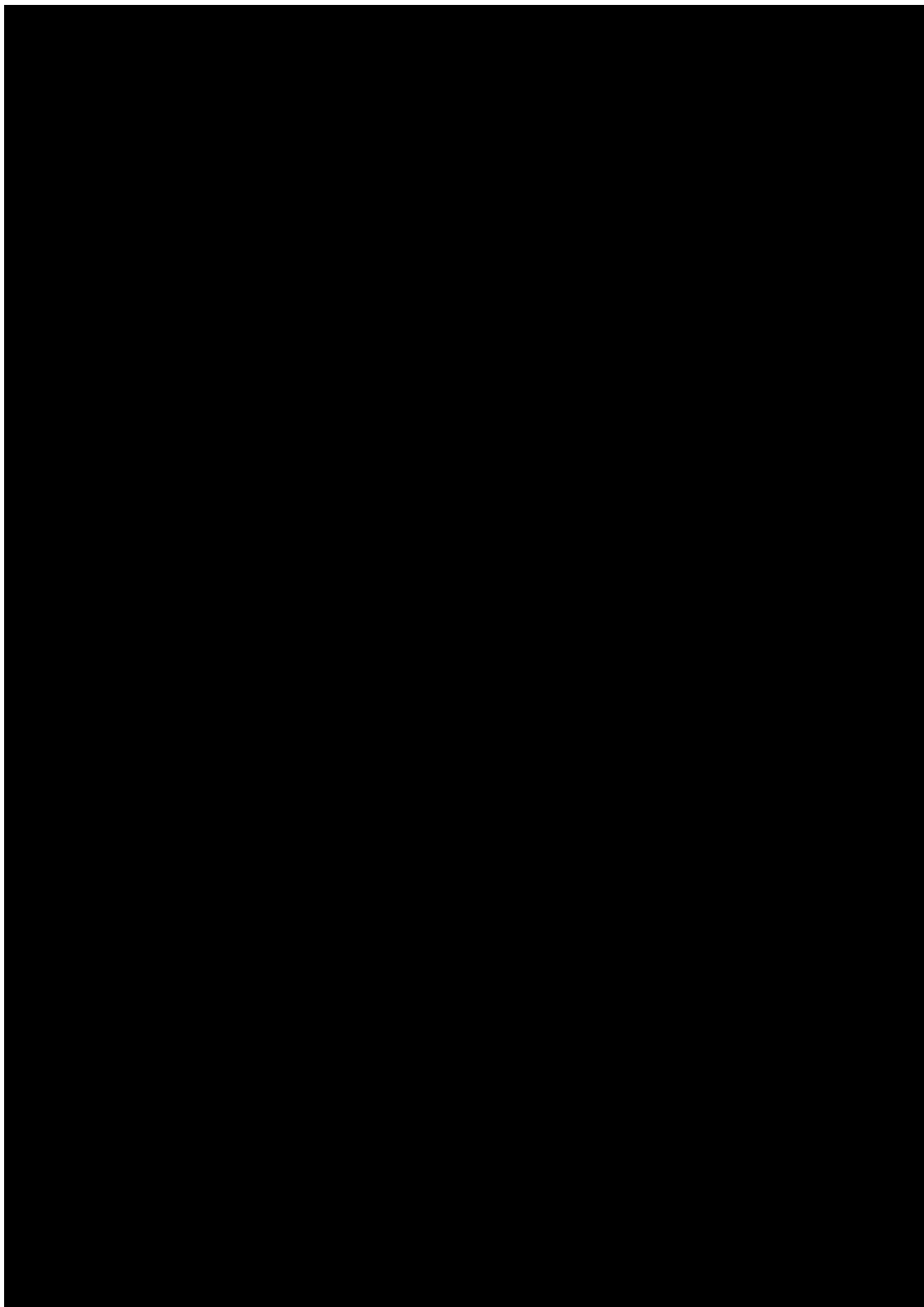
### **DML Management Review Report**

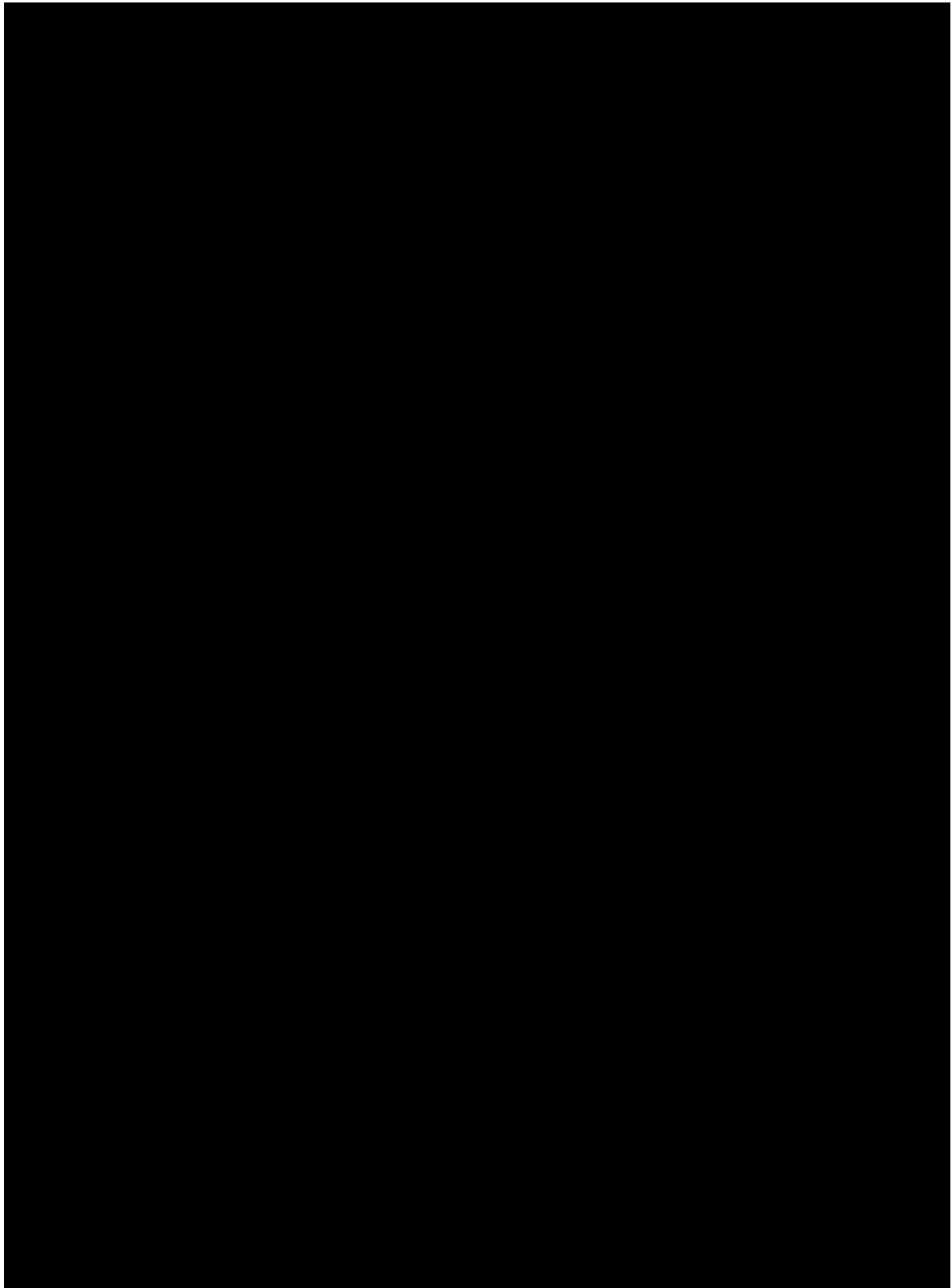
A recent Management Review Report, prepared by our Head of Safety Management

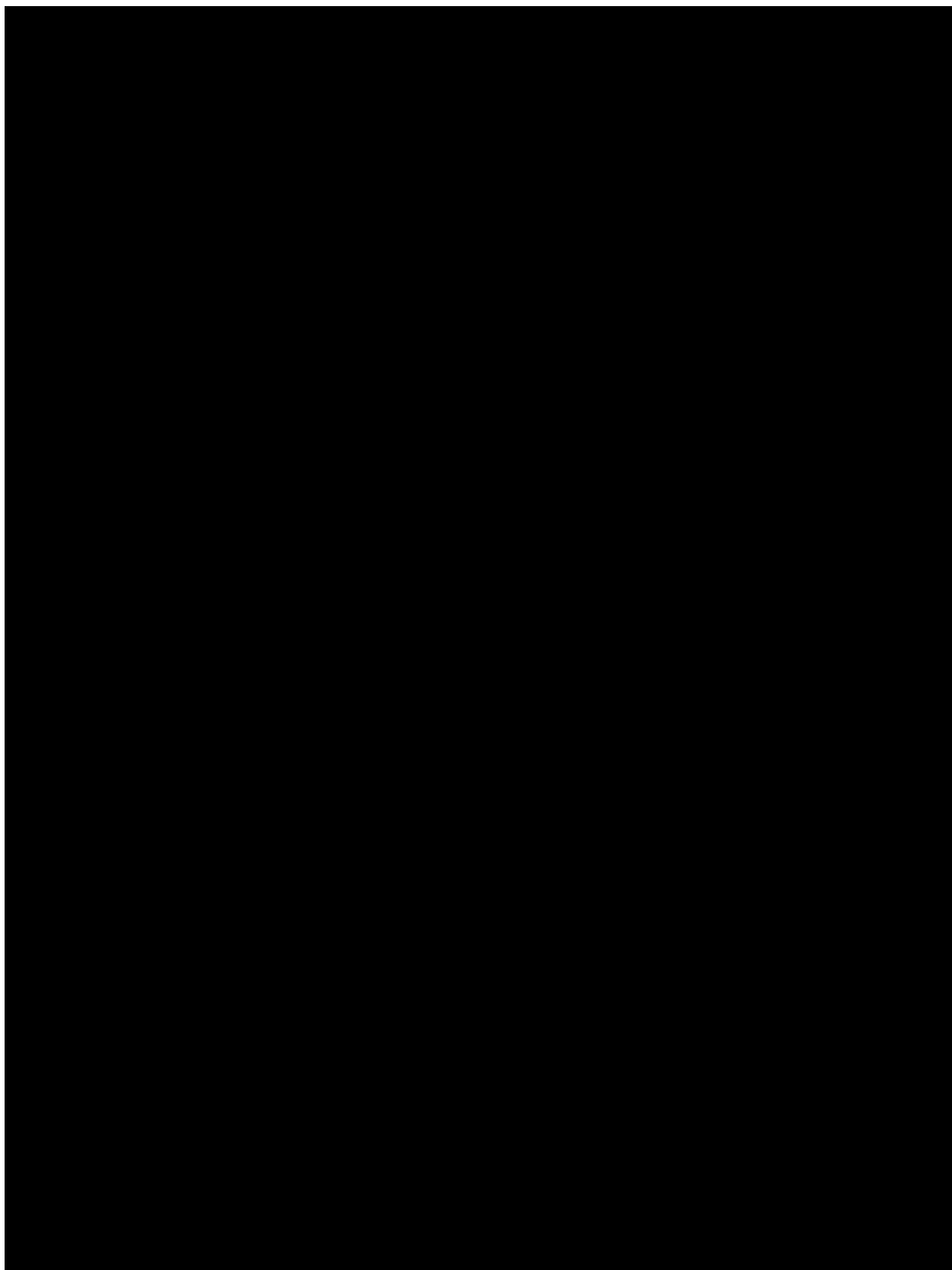


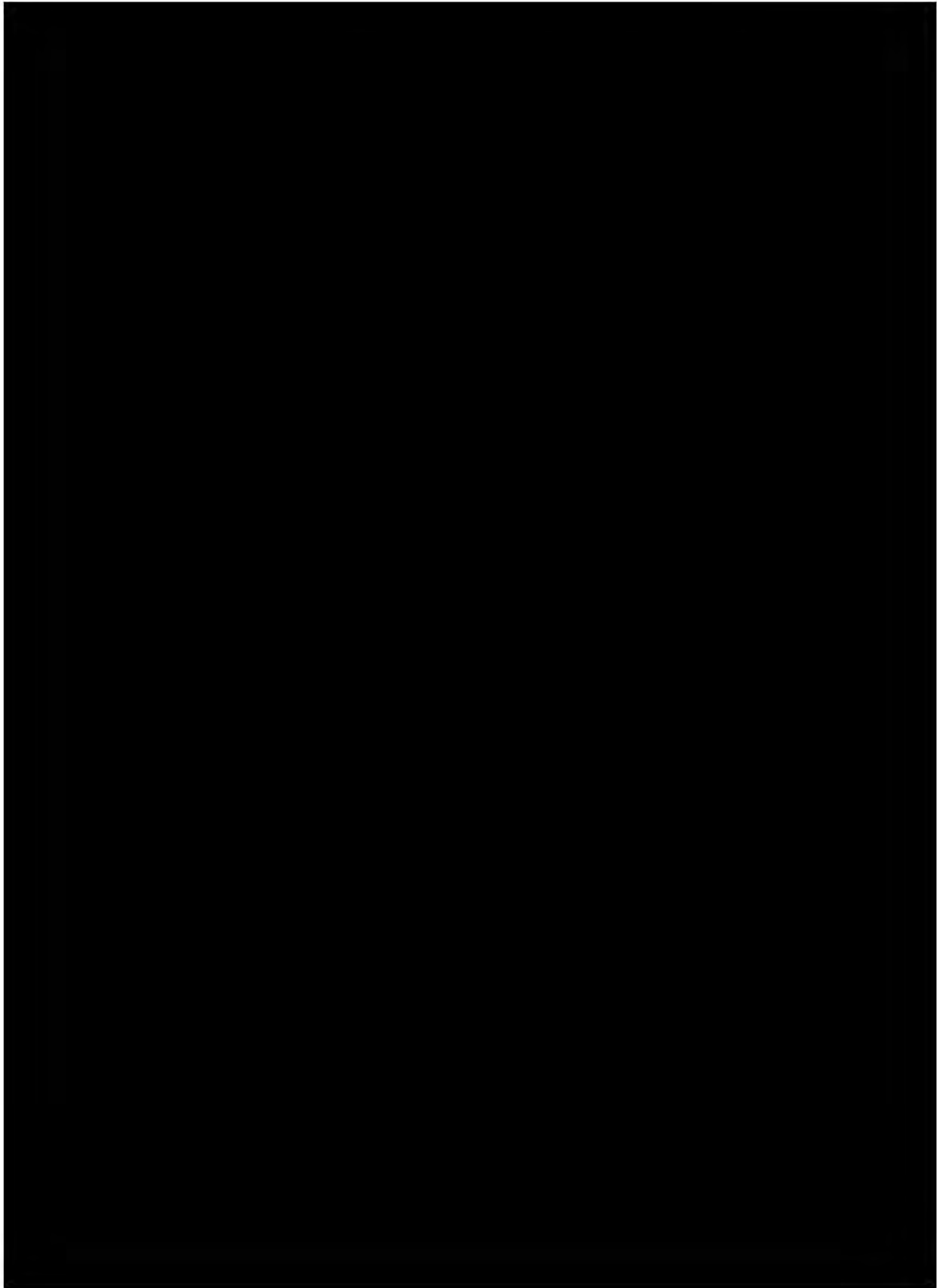




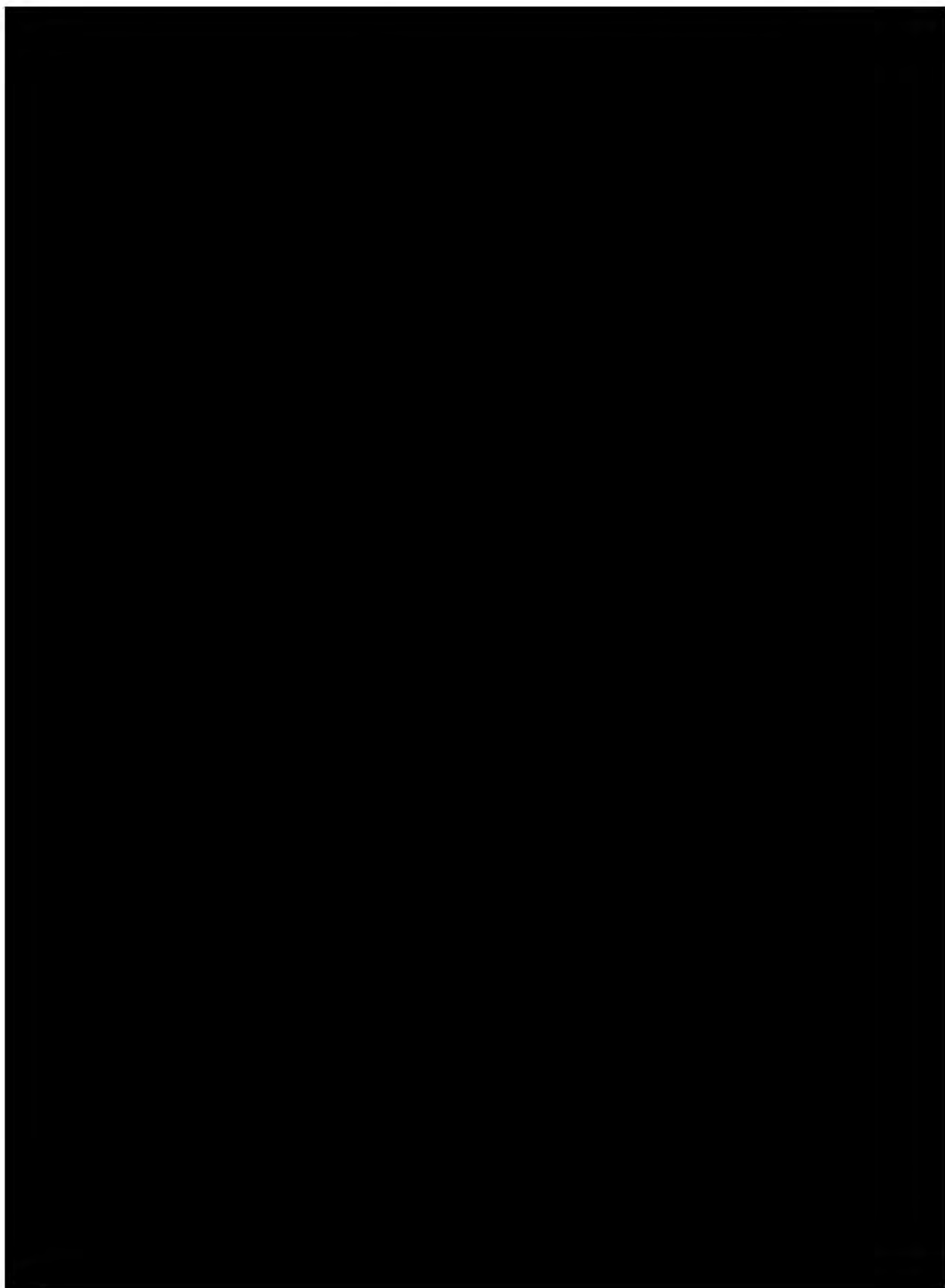


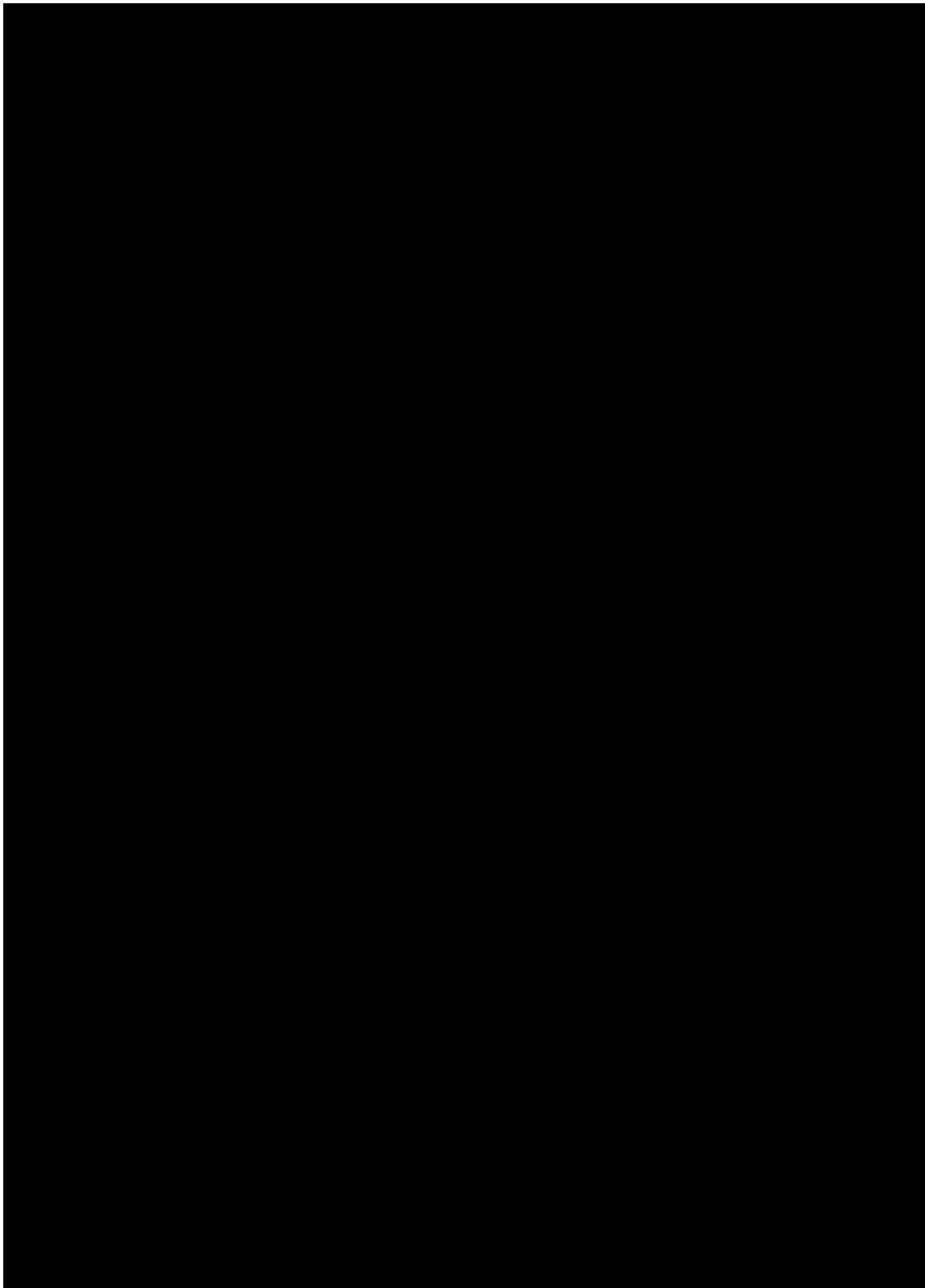












## 2.3 Operator's Proposals for the Involvement of Supported Businesses

### Executive Summary

#### CalMac Ferries Limited's (CFL's) active engagement with supported businesses

The Scottish public sector is encouraged to buy from supported businesses; those where more than 50% of the workers are disabled persons unable to take up work in the open labour market and after 18<sup>th</sup> April 2016 this will be reduced to 30% by Regulation 21 of the Public Contracts (Scotland) Regulations 2015 (The Regulations).

The Regulations allow CFL as a Contracting Authority to have reserved contracts for supported businesses. Transport Scotland requires outline proposals to include supported businesses in the Service supply chain.

CalMac Ferries Limited (CFL) is a trusted procurement partner using a transparent procurement process. We are an active user of the Scottish Government procurement frameworks, and strive to use reserved contracts, wherever possible, making us unique as an Operator. Our access to the public sector process ensures we support the Scottish Government's 'wealthier and fairer' objective, enabling businesses and people to increase their wealth and allow more people to share fairly in that wealth.

We have used the power of public spending to deliver genuine public value and have engaged supported businesses for over ten years. We confirm that this unwavering support will continue and increase during the next Contract.

[REDACTED]

We will continue to engage with and increase the number of supported businesses we use across sectors and products. We welcome the opportunities identified for both ferry service and harbour service contracts that will enable us to include even more supported businesses in our supply chain. The team procures goods, services and works effectively using competition, implementing and managing a robust, auditable and transparent procurement process.

In addition to using the Supported Businesses Framework and the Supported Businesses Directory, we will work collaboratively with Social Firms Scotland (SFS) and Ready for Business (RfB) throughout the mobilisation, start-up and during the Contract to deliver our commitment to engage supported businesses and 'work integration social enterprises'. These commitments will provide opportunities for people with a disability, enduring mental health issues, ex-offenders, people at risk of homelessness and those recovering from substance misuse.

Our working ethos and inclusive approach in using supported businesses and social firms make significant contributions to the achievement of equality across the Scottish workforce and in our communities across the west coast of Scotland.

## Information

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**Managing and mitigating risks**

We have highlighted the most significant risks in the table below together with our plan to mitigate them:

Risk	Mitigation
A lack of understanding of procurement rules. Impact: non-compliance with contractual and legislative requirements. Impact: prevents engagement of supported businesses.	Deploy experienced team, with detailed knowledge of public procurement procedures. Regular monitoring of European, and national procurement legislation, and provision of training as required. Working to the structure and framework of Scottish Government Supported Factories and Businesses Frameworks.
Not having the right team in place from day one of the Contract, with an understanding of the local markets. Impact: miss opportunities to engage supported businesses during mobilisation and during term of Contract.	Skilled and knowledgeable Procurement Team in place from contract commencement.
No process for using supported businesses. Impact: supported businesses are not engaged in the Contract, impacting on compliance. Impact: supported businesses that have previously supported the Contract are negatively impacted by reduced opportunities.	Tried and tested procurement process and active use of the Supported Businesses Directory and the Scottish Government Supported Businesses Framework.

**Opportunities for improvement and innovation**

There is the opportunity to continuously improve and innovate in the engagement of supported businesses, by keeping up-to-date with changes in relevant procurement frameworks and legislation, providing further opportunities to engage with supported businesses.

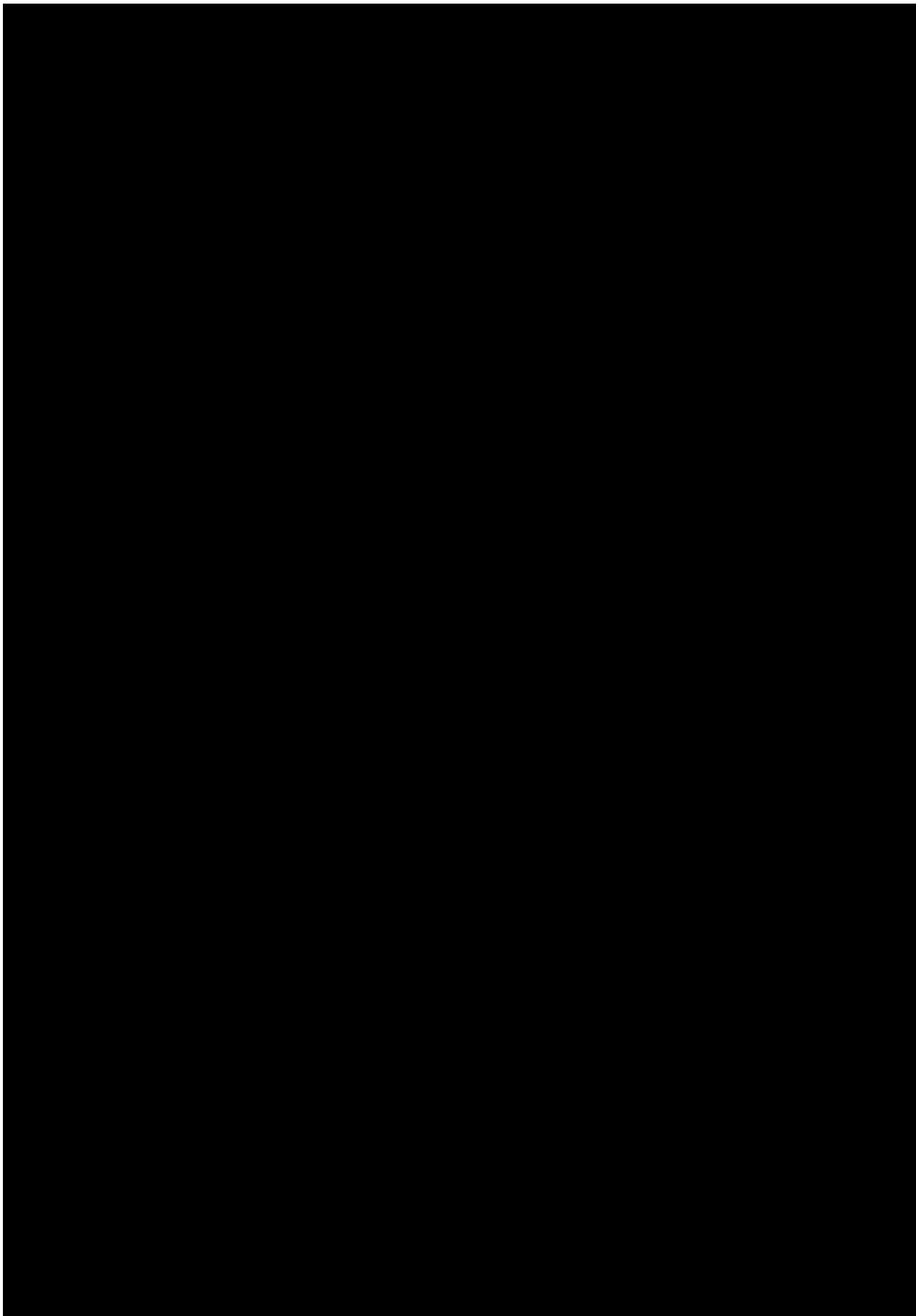
Investment in our procurement team ensures they are up-to-date with training and that they can regularly attend third sector open days. Members of the procurement team attend the Community Benefit Champions' Network facilitated by RfB, which has over 70 public procurement representatives. The network meets regularly to provide updates on policy and good practice.

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### Communication and reporting

Working with our [REDACTED], we will develop a communication programme during year one of the Contract, which will be reviewed annually. We will communicate internally with staff and externally with communities on our use of supported businesses and social firms in our supply chain. This will raise awareness of the economic and social benefits of using them and encourage the development of future opportunities. We will also produce a quarterly report on the use of supported businesses and social firms.

Embracing our philosophy of 'Think National Act Local', the communication programme will help demonstrate the social and economic benefits from supporting the third sector, which may in turn encourage other companies across the west coast of Scotland to review the sustainability of their own supply chains.

We will develop and issue a guide detailing how businesses can contact us regarding procurement opportunities.

### Networking with supported businesses

Each year our procurement lead [REDACTED] and / or a member of her team proactively seek and attend open days, actively progressing all opportunities for using more supported businesses. Attending these events helps our team engage with supported businesses and appreciate their value in changing peoples' lives. As an example, Muriel attended the RSBi Blindcraft, open day in Glasgow on Thursday 27th August 2015 and on 8<sup>th</sup> December 2015 a member of the Procurement Team undertook a site visit to the Haven premises in Falkirk

### Managing and mitigating risks

Some of the challenges that must be overcome in order to engage small and medium enterprises (SMEs) are also relevant in the engagement of supported businesses. When we seek to engage the services of supported businesses, we must be mindful of whether they have the capacity to deliver to the required standard within the desired timescale. Since our reach into the third sector is beyond strictly supported businesses, we will ensure supply chain and other opportunities are maximised.

Through our engagement and use of supported businesses we have identified the following challenges, which we consider each time we offer a reserved contract:

- » The current range of services offered by the Supported Factories and Businesses Framework is limited, therefore for all tenders we always check this first and use these services where we can. We use the Reserved Contract procurement option in compliance with The Regulations.
- » Identifying and keeping up-to-date with the number of supported businesses.
- » The breadth of potential engagement with supported businesses is far reaching, ranging from attending third sector open days, to encouraging our major suppliers to use supported businesses to help deliver their service to us.
- » Ensuring early engagement with the Supported Businesses Directory.
- » The scale and distribution of supported business operations network and subsequent ability to fulfil across the Clyde and Hebrides network can provide a

challenge, and we discuss this with each separate organisation to identify the best solution.

We have highlighted the most significant risks in the table below together with our plan to mitigate them:

Risk	Mitigation
<p>Many supported businesses are located in the central belt in Scotland presenting potential distribution issues across the network.</p> <p>Impact: supported businesses potentially unable to provide goods and services required by the Contract.</p>	<p>Review the Supported Business Framework and the Supported Businesses Directory as each procurement opportunity is identified.</p> <p>If a company is based in the central belt discuss their distribution channels and fulfilment agents to find a positive solution.</p>
<p>Supported business unable to provide the quantity of goods we require.</p> <p>Impact: supported business cannot fulfil contract requirements, potentially impacting upon quality of service to customers.</p>	<p>Ensure Invitations to Tender (ITT) clearly specify the requirements.</p>
<p>Quality of goods and services delivered does not meet expectation.</p> <p>Impact: potential to impact upon compliance with the Contract and negative experience for customers.</p>	<p>Undertake checks or trials using products to ensure optimum quality.</p>
<p>Managing the delicate balance between engaging SMEs and working with local supported businesses.</p> <p>Impact: opportunities for SMEs reduced by engaging more supported businesses, wider economic impact on communities.</p>	<p>Continue to produce a quarterly procurement report detailing spend per category and the overall contract performance to monitor the numbers of suppliers in each of these sectors.</p> <p>Continue to report against our internal key performance indicators (KPIs).</p>
<p>Failing to respond to any change to European and national procurement legislation. Not adhering to European procurement legislation.</p> <p>Impact: non-compliance with legislation.</p>	<p>Procurement Team to monitor and regularly undertake reviews to identify any changes in legislation</p>

#### Awareness of legislation changes for supported businesses

An example is the recent refresh to The Regulations by 18<sup>th</sup> April 2016, whereby the definition change from 50% of work force disabled to 30% of work force disadvantaged.

This new reserved contracts regime will widen the scope for other social enterprises / social firms to qualify under the rules.

We are ahead of the changes and are actively engaging with SFS already.

#### Opportunities for improvement and innovation

We regularly monitor procurement opportunities against the supported businesses framework to use them, wherever possible, in our tenders for both the ferries and harbours Contracts, either directly or indirectly, through our suppliers using them in their supply chains.

There is opportunity to expand our supply chain to include social firms and we have engaged with RfB and SFS to make this happen.

#### Adding value engaging social firms: SFS

We will go one step further and expand our procurement circle to actively include social firms, which is a specific type of social enterprise whose social mission is to create employment, work experience,

**Adding value engaging social firms: SFS**

training and volunteering opportunities for people that face significant barriers to employment.

We are actively engaged with, and will continue to work in collaboration with, both SFS and RfB to ensure the Scotland-wide networks of social enterprises can participate in our procurement opportunities.

We actively encourage employment in this sector; the use of social firms will open up more opportunities in the third sector and we will help make a difference to many more lives as a result of our procurement choices.

**Engage with Supported Businesses and British Association for Supported Employment (BASE)**

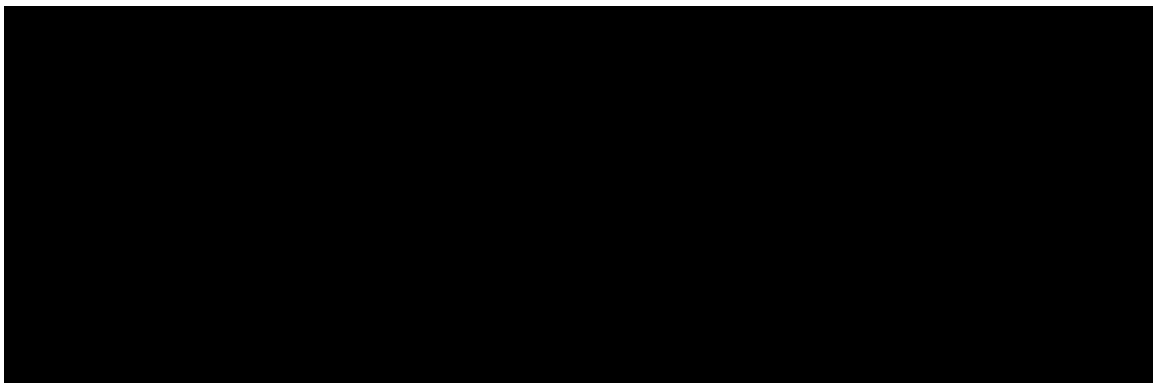
In the case of the opportunities identified in the table earlier, our procurement team will engage with relevant suppliers listed in the Supported Businesses Directory and the Scottish Government supported factories and business framework, during the mobilisation period.

We will record our use of supported businesses as a result of regular monitoring of procurement opportunities against the supported business framework and [REDACTED] will detail this in our quarterly procurement report. The report will include the number of supported businesses engaged, their contract value, service provided, number of people employed and the location of the company in each case.

This will form part of our quarterly reporting to Transport Scotland.

Use of public spending to boost training, employment and sub-contracting opportunities underpins the Scottish Government's main priority of creating a more successful country through sustainable economic growth.

Our effective use of public contract money for reserved contracts will ensure a successful outcome of bringing together the public and third sectors for the delivery of the Service.





### Engage with Ready for Business (RfB) and Social Firms Scotland (SFS)

To support our sustainable procurement strategy, in addition to using supported businesses, we will expand our existing relationship with SFS to deliver our intent to include social firms in our supply chain.

For goods and services not covered by the reserved framework as part of our usual procurement process, our procurement team will link through the RfB framework and contract database to provide opportunities to social firms.

RfB delivers the Scottish Government's Developing Markets for Third Sector Providers programme and has an unrivalled reach to social business networks and organisations.

We have held discussions with SFS and are committed to working together during the delivery of the Contract. This presents a new opportunity to grow our supplier network to include firms employing staff who face significant barriers to employment. SFS is the national support body representing social firms in Scotland. A social firm is a specific type of social enterprise, where the social mission is to create employment, offer work experience, training and volunteering opportunities for people who face significant barriers to employment. In particular, these barriers include people with a disability (including mental ill health and learning disability) substance abuse issues, a prison record, homelessness and young people.

We will work collaboratively with SFS and RfB throughout mobilisation and during the new Contract. We confirm that members of the CFL Procurement Team regularly attend the Community Benefits Workshops.

In conjunction with RfB, for appropriate Service tenders, we will include the use of a community benefits clause in our procurement Invitation to Tender (ITT) documents. This will provide our entire supply chain with the opportunity of demonstrating a range of economic, social or environmental benefits they can give back to the community, which can be used to build conditions into the delivery of contracts.

Over and above using and monitoring supported businesses, we will monitor our use of social firms.

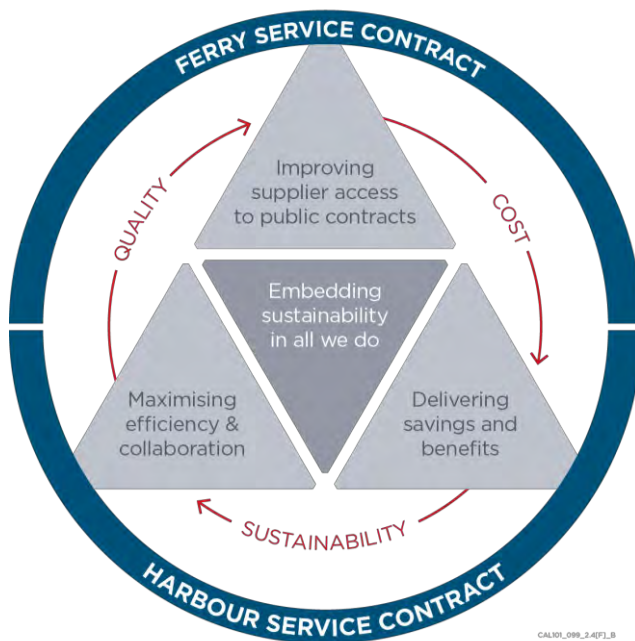
“ SFS has been engaged with CFL for the past few years and has welcomed their interest in engaging with our member social firms like Haven Enterprises, as well as their proactive commitment to engage with supported businesses. Through our role within Ready for Business (RfB), our wider network of social enterprise suppliers. CFL’s procurement lead has also been a regular attendee at the Community Benefits Champions Network, which RfB facilitates, to receive updates on sustainable procurement, legislative changes and sharing of good practice in engaging third sector suppliers. SFS will continue to positively engage with CFL to ensure that opportunities for wider community benefits, can be realised through business and supply chain opportunities that might emerge”

Pauline Graham, CEO, Social Firms Scotland.

Working with RfB, and communicating our tenders through its network will help raise awareness of CFL to social firms, enabling them to have the opportunity to be included in our supply chain. Their inclusion will help support employment for those facing significant employment barriers.

**Added value working with the third sector**

Our new initiative for including more third sector organisations in our supply chain enables the power of public spending to deliver genuine public value for the third sector.



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Figure 2.3 (b) Illustration of how CFL will use power of public spend to continuously improve services and deliver genuine public value

We understand the need to put procurement at the heart of Scotland’s economic recovery and that it forms an integral part of policy development. Through CFL’s service delivery, our approach to meeting procurement needs will provide Transport Scotland with maximum value for money, offering solutions that deliver the optimum balance of cost, quality and sustainability.

In conclusion, CFL is a trusted procurement partner using a transparent procurement process and we are an active user of the Scottish Government Procurement frameworks. Our use of the public sector procurement process ensures we support the objectives of the Scottish Government and align ourselves with the needs of our communities.

Our working ethos and inclusive approach in using supported businesses and social firms represent important factors contributing to the achievement of equality across the Scottish workforce and in our communities across the west coast of Scotland.

We confirm that this unwavering support will continue and increase during the next Contract.

**2.4 Operator's Proposals for the Involvement of Small and Medium Enterprises (SMEs)****Executive Summary****CalMac Ferries Limited is ahead of Scottish average for inclusion of SMEs**

The Scottish Government has committed to the strategic objective of making Scotland 'wealthier and fairer'; enabling businesses and people to increase their wealth and to share fairly in that wealth.

As part of that commitment, the Scottish Government is ensuring that small and medium sized enterprises (SMEs) have fair access to public sector contracts in Scotland, as specified in the Scottish Government's Economic Recovery Programme. Their definition of an SME is a small enterprise with less than 50 employees and medium enterprises with less than 250 employees.

Our parent company, David MacBrayne Ltd, has signed up to the Scottish Government's Supply Charter, which facilitates SME access to public procurement opportunities and enables fair access to our contracts.

CalMac Ferries Limited (CFL) is a trusted procurement partner using a transparent procurement process. We are an active user of the Scottish Government procurement frameworks that are accessible to SMEs and use the Public Contracts Scotland (PCS) portal to procure goods and services.

Supported by the procurement team, our procurement lead, [REDACTED], will have defined authority for establishing, maintaining and reporting on opportunities for purchasing supplies or services from SMEs and their level of participation in our supply chain.

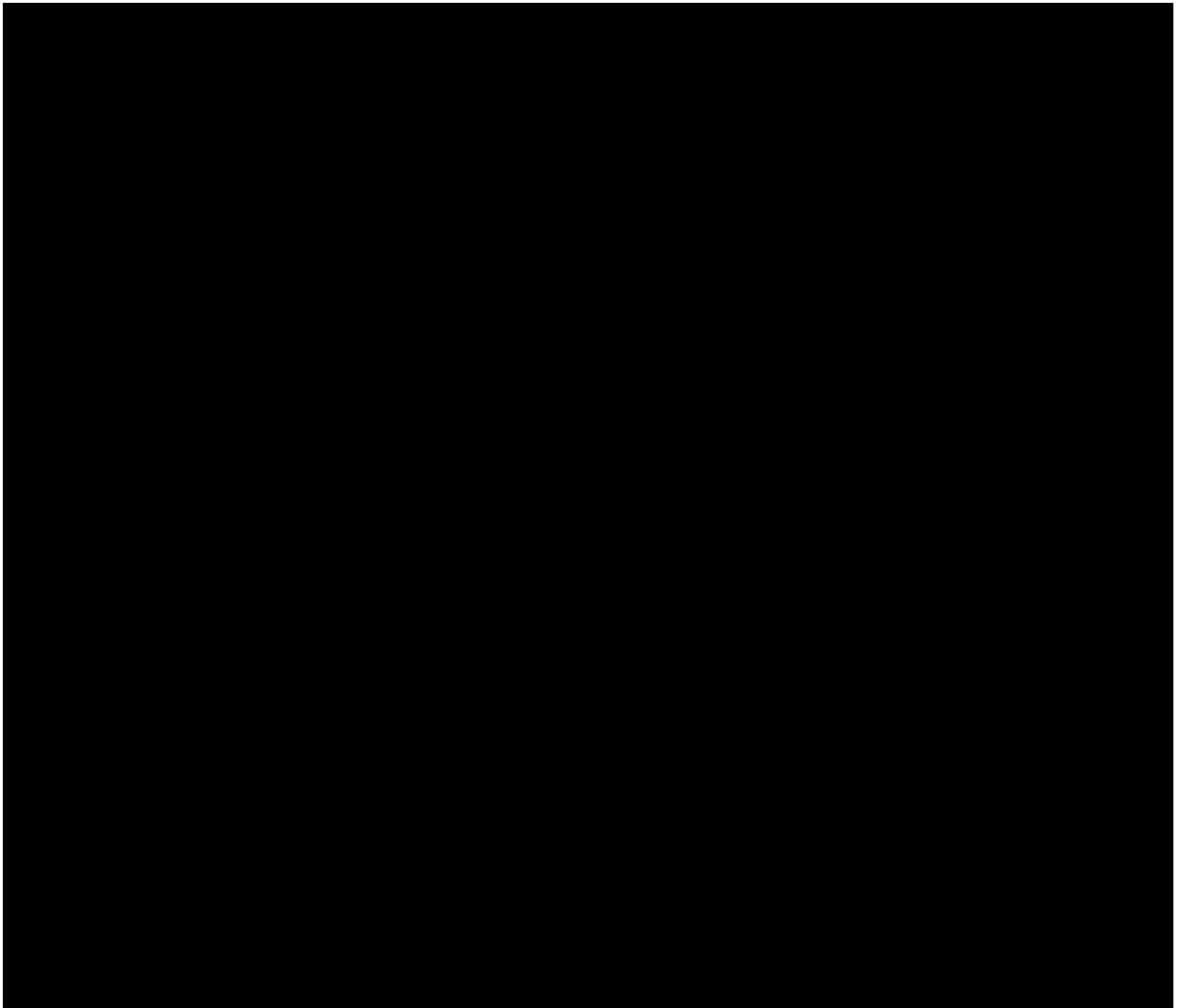
**CFL is proud to support the SME sector in delivery of the Service**

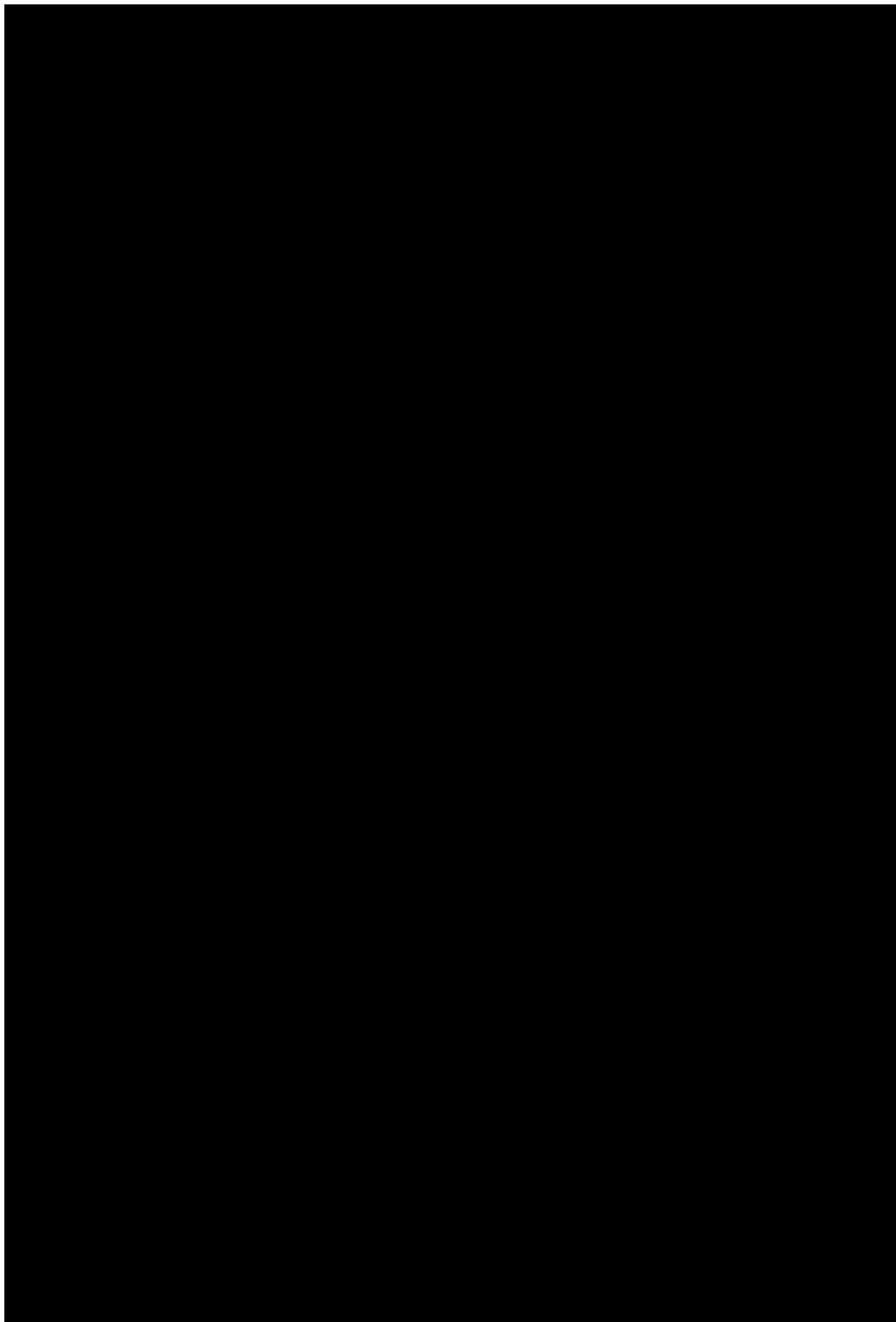
CFL will continue to take every opportunity to involve micro companies and SMEs in its supply chain. Our experience of working with SMEs (businesses, social enterprises and third sector bodies) demonstrates the significant contribution they can make to public services in Scotland. We know they are often ideally placed to develop innovative solutions to meet our requirements and to deliver value for money, either individually or as part of a consortium.

We understand the need to put procurement at the heart of Scotland's economic recovery and that this forms an integral part of policy development, as well as being an important factor in our service delivery. Our approach will provide Transport Scotland with maximum value for money, achieving the optimum balance between cost, quality and sustainability whilst meeting our procurement needs.

CFL Feature	Benefit
CFL is a trusted procurement partner with proven experience engaging SMEs through Scottish Government procurement frameworks.	Transparent approach to procurement, following clear, established procedures that SMEs understand.
Accessible approach to procurement with the use of standardised templates for PQQs.	Tender opportunities are published on PCS web portal. Increased ease of participation and encouragement of the inclusion of SMEs in our supply chain.
We use the PCS web portal, which uses electronic format paperwork.	Benefits to SMEs include using a standard public sector Pre Qualification Questionnaire (PQQ), enabling them to develop standard responses, held in their library of documents, which can then be re-used for other public sector PQQs.
Smarter use of public procurement to encourage innovation and growth.	Increase breadth of opportunities for SME suppliers via allocation of tender lots.
Our supply chain is primarily based in Scotland.	Expenditure is retained in Scotland, boosting Scottish economic growth.

## Information







[REDACTED]

Our experience confirms that involvement of SMEs can contribute to increased employment opportunities and to the wellbeing of local and regional communities. SMEs are considered to be the backbone of the economy and we are committed to ensuring they have the opportunity to compete fairly for our tenders as part of the public contract that we will be operating. We intend to expand, further develop and make even more use of SMEs over the next eight years.

Our many years of experience in selecting SMEs over larger organisations has delivered the following benefits:

- » Superior levels of service
- » Lower overheads, resulting in cost efficiency
- » Flexibility to develop innovative business solutions
- » Greater adaptability
- » Concentrated effort in a specialist area of expertise

CFL recognises the value of having SMEs in our supply chain, whether supported businesses, social enterprises or third sector bodies; they will make a significant contribution to the delivery of the Contract. However, it is not possible to award a contract to an SME over a larger enterprise solely on the basis of its SME status.

### Reporting

[REDACTED]

We will produce an annual report detailing our inclusion of SMEs and third sector suppliers in terms of the percentage used, which of those are third sector, or local coastal community companies, along with contract values.

**(ii) Outline opening proposals for engaging with SMEs, including a description of the areas of Service provision where the involvement of SMEs may provide the opportunity to improve the efficiency, economy and quality of the Services**

Transport Scotland requires an approach to the engagement of SMEs that will benefit the wider Scottish economy, supporting wealthier and fairer aims, and add value to the Service. Engaging SMEs to deliver areas of the Contract creates opportunities to improve the efficiency, economy and quality of the Services.

We commit to continued use of SMEs in our supply chain, to expand, further develop and make more use of SMEs throughout the eight-year Contract. We aim to maintain our SME supply chain in line with our procurement process, and will target to grow this to 85% over that period. This will be achieved through more active engagement prior to the commencement of the procurement process, and by increasing the number of sectors where we can use new and / or more SMEs in our supply chain.

### Our opening proposal

We will continue to engage SMEs within our existing supply chain. Once the contract has been awarded in May 2016, as part of our Mobilisation and Start-Up Plan we will begin the process of initial engagement to inform SMEs of our procurement opportunities.

During this period [REDACTED] will send a communication to our current supply chain to inform them of the award of Contract and our intention to commence the procurement process for services starting on 1st October 2016.

We will use our clearly defined and proven process for successfully engaging SMEs based on six commitments:

1. We have adopted the Scottish Government's Supplier Charter which commits us to improve the way we work with businesses and use the standard PQQ which helps improve transparency and reduce bureaucracy in the procurement process.
2. We use the PCS advertising portal for publishing our buyer profile, advertising contract opportunities and publishing contract award notices and make use of the quick quote facility for very low value contracts.
3. We review contract award procedures to help minimise the administrative burden on suppliers.
4. We use outcome-based tender specifications, where possible, to allow businesses to propose innovative and alternative solutions to meet our business needs.
5. Included in our terms and conditions, we specify a requirement that contractors pay any sub-contractors within 28 days of receipt of a valid invoice.
6. We monitor spend with SMEs to demonstrate the success of the steps above.

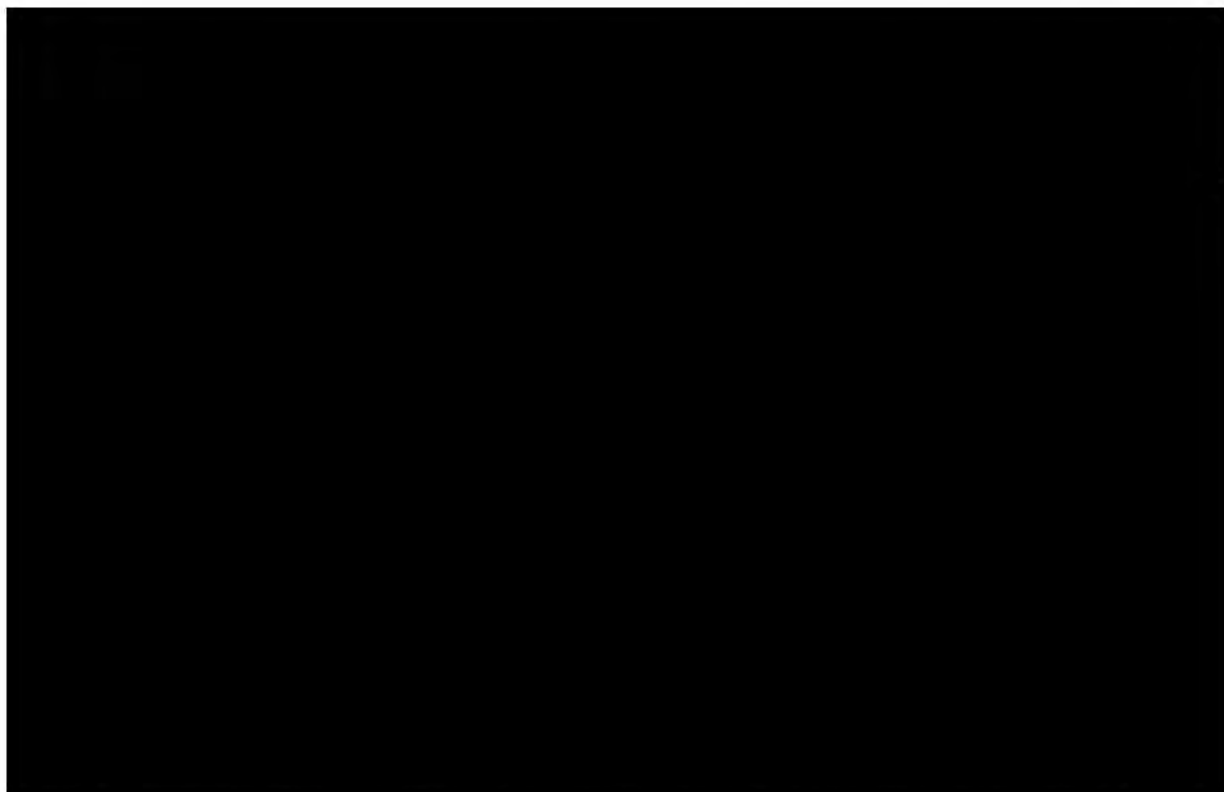
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██████████ spend which relates to non-SME companies comprises purchases of vessel fuels, lubes and oils, ship maintenance services, technology and software, vessel parts and recruitment services. These services can be difficult to source through an SME and are therefore not included in our defined supply chain of SMEs.

A management challenge in the successful engagement of SMEs is in achieving balance in our supply chain between local companies, SMEs and supported business / third sector and firms of any size.

In summary, during the mobilisation period we will also apply our clearly defined and proven process based around '3Ms' summarised as:

**Map:** We will identify our requirements for goods and services

**Meet:** We will host meet the buyer events and / or will attend specific procurement open days in locations around the region such as Greenock, Oban and Stornoway, to which SMEs are invited. In addition, we will attend events such as the Taste of Winter event, Food and Drink trade show in Oban and International Marine Purchasing Association exhibition.

Pre-tender meetings play an important role in enabling us to brief interested parties on our procurement process activities and we will hold these during engagement as required.

**Make it Happen:** We will continue to facilitate the procurement process for SMEs using the PCS portal and standardised procurement PQQs to make it easy for them to keep up to date with opportunities and to tender for those of interest.

Working with our existing supplier database will ensure that from Contract Award, we will be in a position to procure the services of SMEs and to deliver our own contractual commitments.

#### Managing and mitigating risks

One of the most significant challenges we face in engaging SMEs to deliver services is due to the wide geographic area our services cover and the proximity of those businesses, i.e. the quantity and availability of suitable SMEs with relevant skill sets and distribution channels relative to services requirements in locations across the west coast of Scotland and Clyde region.

If SMEs are to become one of our suppliers, they may need support to understand how they can win our contracts and where to look for future opportunities. We will, therefore, ensure that SMEs are aware of opportunities when we issue a tender, by using the recognised PCS portal and enabling them to follow our agreed procurement procedure. Having successfully engaged SMEs through our procurement process will ensure confidence in their ability to supply us.

We recognise that there are risks in engaging SMEs not only to our own organisation, but also to those businesses choosing to bid for public contracts. We have highlighted the most significant risks in the table below together with our plan to mitigate them:

Risk for CFL	Mitigation	Risk for SME	Mitigation
<p>If the right team is not in place from day one, with an understanding of the local markets, this would negatively impact the engagement of SMEs in the delivery of the Service.</p> <p>Impact: under-performance against KPIs and contractual requirements for the engagement of SMEs.</p> <p>Impact: reduced opportunities for SMEs, impacting on economy of local communities.</p>	<p>Skilled and experienced Procurement Team available from day one.</p>	<p>Lengthy procurement processes create barriers to entry.</p> <p>Impact: discourages SME participation.</p>	<p>Implement a policy of responsible sourcing and active use of the Scottish Government Procurement Frameworks, which are open to SMEs and use standardised procedures.</p> <p>Use other equally accessible procurement frameworks such as: Crown Commercial Services and The University Caterers Organisation (TUCO).</p>
<p>A lack of understanding of public procurement rules.</p> <p>Impact: non-compliance with procurement regulations when letting contracts.</p>	<p>Deploy experienced and knowledgeable team, who understand procurement rules and keep abreast of changes.</p> <p>Any tender opportunity will be open for companies of all sizes - large and small to participate in the procurement process.</p> <p>Regular monitoring of European and national procurement legislation, relevant case law and the provision of training ensure compliance.</p> <p>Monitoring of Scottish Government supported factories and businesses framework and the supported business directory.</p>	<p>Lengthy payment process impacting cash flow.</p> <p>Impact: on sustainability of the business.</p>	<p>Prompt payment of the supply chain.</p> <p>Sign up to the Scottish Business Pledge.</p>
<p>Balancing the needs of the Contract against an SMEs ability to deliver, taking into account cost, distribution network, quality, and quantity / volume required for meeting the needs of the CHFS dispersed network.</p> <p>Impact: goods and services not supplied, which could impact on compliance with the Contract and on customer satisfaction.</p>	<p>Robust management and control procedures to ensure SMEs meet requirements and are supported in achieving specified standards of supply.</p> <p>Undertake a CFL procurement capability assessment.</p> <p>Use contract management to measure supplier performance.</p> <p>Specify contractual commitments with supply chain including the use of service level agreements (SLAs), KPIs and either liquidated damages or service credits for defaults.</p>	<p>Lack of awareness of procurement opportunities.</p> <p>Impact: SMEs do not bid to provide goods and services.</p>	<p>Advertise opportunities widely in low cost publications and on websites, primarily PCS's advertising portal.</p>

Risk for CFL	Mitigation	Risk for SME	Mitigation
<p>Ensuring that the ethics of the supplier are compatible with the standards and values demanded by the Contract.</p> <p>Impact: SMEs do not meet the required standards in quality, environment, health and safety.</p>	<p>Robust quality management systems and effective use of pre-qualification questionnaires (PQQ) and invitations to tender to gain understanding of potential SME suppliers.</p> <p>Independent audit of the potential supplier in line with ISO 9001 standards.</p>	<p>Supplier fulfilment of orders across the breadth of ferry network across the west coast of Scotland.</p> <p>Impact: SME unable to fulfil orders across whole network.</p>	<p>Check the scalability and distribution network of potential suppliers at either PQQ or evaluation stages.</p>
<p>Cascading environmental objectives through the supply chain.</p> <p>Impact: SME unable to meet requirements and therefore does not tender for or cannot win contracts.</p>	<p>Ensuring that the suppliers selected understand the environmental objectives of the Contract and are able to support their delivery and that these objectives are not anti-competitive or limit SME participation in procurement exercises.</p> <p>Provide practical support for supply chain members such as working collaboratively to reduce packaging and waste produced.</p>	<p>Costs to tender / and costs to meet sustainable procurement requirements such as those associated with mitigating environmental impact.</p> <p>Impact: SMEs discouraged to participate in tender exercises.</p>	<p>Use standard template approaches to minimise the cost of participating in the procurement process for SMEs.</p> <p>Quality scoring of tenders to reflect environmental requirements.</p>



Figure 2.4 (c) Our engagement of SMEs builds positive relationships and social value.

#### Support for our SME supply chain

It is important for us to provide help and support for SMEs in our supply chain to ensure they are aware of our processes and procedures and able to comply with them. This support extends to clarity on any performance measures in place within their contract to support delivery of their particular product or service to fully meet our requirements.

We will encourage our supply chain to be compliant with our policies and procedures through supplier training, where required, and will offer additional guidance in collaborative or partnership working.

Other areas where we provide support are in developing an understanding of what it means being a supplier to us and meeting our expectations and standards, supporting our ISO 9001 and ISO 14001 accreditations. We have high expectations around quality, health and safety, technical capability and being a responsible business, particularly providing local employment and fair wages.

#### Support from building awareness and participation amongst SME and third sector suppliers

We will not underestimate the importance of spending in Scotland for boosting the economic growth and wellbeing of the nation and recognise the significance of using the power of public expenditure to deliver public value. The contracts we tender are as essential for the SME and third sector as they are for us. Building awareness within the supplier community for attracting and retaining competent and capable businesses as our suppliers is not only vital for our company, but also contributes significantly to the ongoing sustainability of the Scottish economy.

We will:

- » Create an area on our website dedicated to our supply chain to raise awareness of and enable participation in our tenders



- » Promote our use of SMEs and third sector supply chain members through a dedicated section of our website to encourage greater participation and inclusion
- » Attend procurement events held by third parties
- » Host meet the buyer days, usually in larger hubs, across our network such as Oban or Gourock, in addition to regional events to encourage participation
- » Collaborate with RfB and Scottish Community Alliance to extend our reach to SMEs by using these networks to raise awareness of our tender opportunities
- » Encourage staff to attend meet-the-buyer days in order to raise internal awareness and understanding of the opportunities that exist for working with SMEs, enabling some to become ambassadors of our supply chain
- » Working with our Group PR Team we will develop a supplier communication programme during year one of the Contract, which will be followed up every subsequent year

#### Making contract opportunities accessible to SMEs

We recently invited tenders for a confectionery, snacks, soft drinks, tobacco and alcohol contract. As part of the process we decided to divide the opportunity into two smaller lots as follows:

- » Lot 1 Confectionery, snacks and soft drinks products
- » Lot 2 Alcoholic beverages and tobacco products

By doing this, we enabled more SMEs to participate in our tender process. A total of four SME suppliers, all of which were Scottish, submitted a tender, which resulted in the successful engagement of two of them.

This approach ensures our procurement opportunities receive maximum exposure and that our processes are transparent, streamlined, standardised and business friendly for our target audience. Encouraging participation in our supply chain by local SMEs increases the power of public expenditure to deliver genuine public value locally within our coastal communities.

#### What we expect from SMEs

Many SMEs in our supply chain will have already participated in the Scottish Government procurement framework, enabling them to follow best practice procurement standards, with the ability to expand their provision to other public sector buyers, using standard PQQ and ITT documentation.

Working with CFL will provide SMEs with opportunities to contribute to the national objective of inclusive growth for Scotland, as well as providing them with the ability to grow cost effectively, using best practise for procurement and delivery that can be applied across their business.

#### How we will monitor performance of SMEs

Our procurement process has robust management and control procedures to ensure our supply chain meets our requirements and is supported in achieving specified standards of supply.

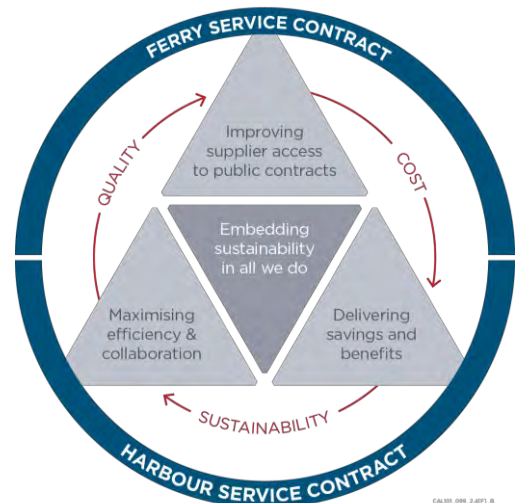


Figure 2.4(d) Supporting sustainable growth in our supply chain through the use of SMEs.

As a buyer, sustainable procurement is of extreme importance to us and we will work collaboratively with our supply chain to reduce volumes of packaging and waste produced in the delivery of the Contract. The outcome will help improve the environmental performance of our supply chain and, ultimately, the impact of our service delivery on the environment.

Contract performance measures are important for retaining our service quality and, for SME suppliers, we will measure performance of their service delivery using a combination of SLAs and KPIs. Performance feedback will assist SMEs to continually improve the delivery of their services to us.

This methodology will help ensure we have a robust supply chain with guaranteed supplies. It will reduce any risks for us, as a buyer, in addition to ensuring that members of our supply chain contribute to achieving our environmental targets for the Service.

#### Continued use of Scottish Government procurement frameworks and enterprise bodies

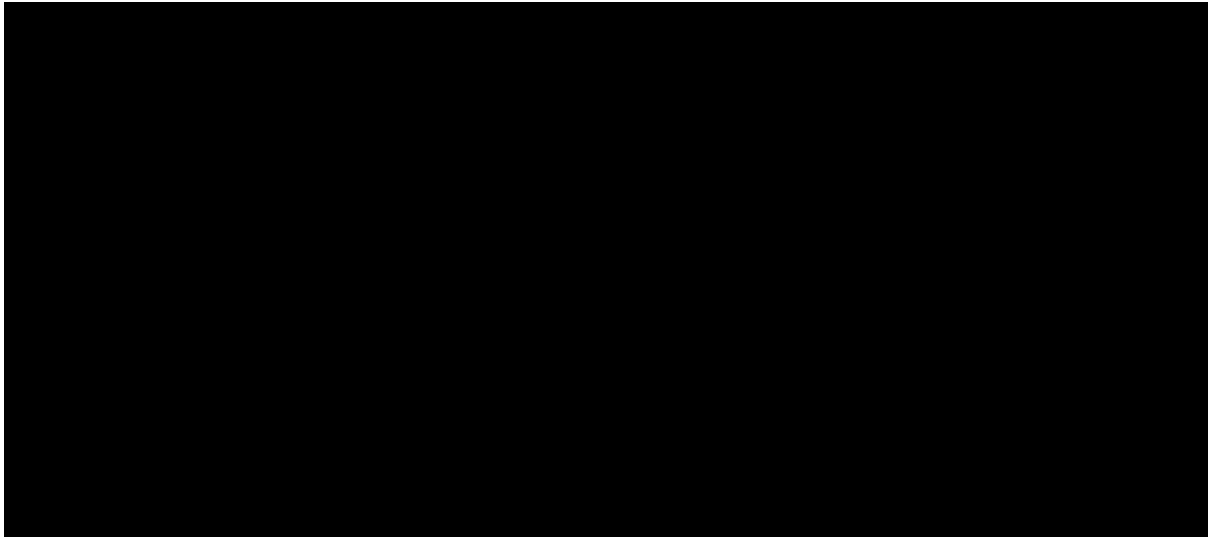
We will build upon our sustainable procurement strategy, which sets direction and objectives for our procurement for the next eight years. Our continued use of the Scottish Government Frameworks will fully support inclusion of SMEs and third sector organisations. Tenders above £50k will be publicised on the PCS web portal.

Already an active user of the frameworks, we will continue to use the standard PQQ prepared by the Scottish Government, which will enable SMEs and third sector businesses to participate in our tenders, without any potential barriers.

#### Growing the local economy through the supply chain

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#### Providing opportunities to increase further SME participation in our tenders

In making our opportunities accessible to SMEs we will investigate alternative means of their promotion, to make tenders more visible to SMEs and encourage greater participation.

For example, using open data to support events to encourage and generate apps to be developed for market segments, creating opportunities for small businesses. This could be supported by scheduled events in population centres and education centres either as part of local events or as an outreach activity.

#### CFL commitment to the Supplier Charter

Our parent company, David MacBrayne, has signed up to the Supplier Charter, committing to facilitating access to public sector procurement opportunities. The Supplier Charter is a joint statement between public sector procurement teams and businesses to facilitate access to public sector procurement opportunities. It forms part of the Scottish Government's commitment to supporting the inclusion of SMEs in the supply chain of public contracts.

CFL will make that commitment to SMEs and the third sector and to further build on that pledge we will:

- » Continue to pay our suppliers within 28 days, which supports prompt payment initiatives and improves the cash flow for businesses. We currently pay our suppliers on average within 18 days.
- » Notify subcontractors that the sub-contract forms part of a larger contact between the Operator and the Scottish Ministers and that should subcontractors have any difficulty in securing timely payment of an invoice, that matter may be referred to the Scottish Ministers.
- » Work with members of our direct supply chain to ensure they pay their sub-contractors promptly

Signing up to the Supplier Charter is a public declaration of our commitment and, to ensure we deliver against that commitment, we will set targets for our performance and monitor them through a quarterly report. We intend to expand, further develop and make even more use of SMEs over the next eight years.

### Opportunities for improvement and innovation

We have identified the following opportunities for improvement and innovation throughout the Contract:

- » We will engage with more SMEs and third sector businesses, and will work collaboratively with third parties, such as Ready for Business (RfB), Community Alliance Scotland and Scottish Government's supported businesses network to achieve this
- » We will offer opportunities for supplier training on relevant courses where we have spaces on programmes
- » We will continue to develop sustainable relationships with micro companies and SMEs that provide opportunities for ongoing, repeat business
- » We will work with our larger suppliers to encourage them to work with SMEs
- » We will optimise our use of SME suppliers across all sectors including: uniforms, retail product, catering – local food and beverage, recycling, IT, safety, HR, marketing and advertising, maintenance and repair
- » We will update our sustainable procurement strategy, including identifying how we build in the life cost of the service / equipment in our overall procurement approach

### Encouraging suppliers to deliver community benefits

To support a wealthier and fairer economy, we work with the SMEs in our supply chain to influence their behaviours. One such example is the inclusion of a community benefit clause in our contract opportunities.

We recently included such a clause in an IT tender for a Wide Area Network (WAN):

*Community Benefit is one element in a wider range of 'social issues'. These 'social issues' are part of a wider concern of 'sustainable procurement' and, in turn, 'sustainable procurement' delivers the Government's sustainable development objective.*

*Tenderers must outline how its managed service will benefit the wider community with specific regard to the following social and economic issues:*

- » *Wealthier and fairer – supporting island communities*
- » *Smarter – modernising systems and supporting the digital strategy*
- » *Healthier and greener – improving passenger experience*

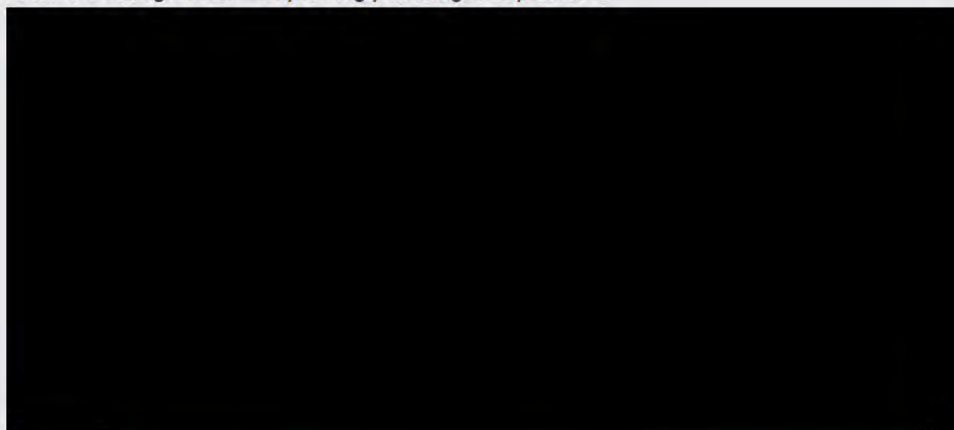


Figure 2.4 (e) Extract from IT procurement exercise.

CFL's approach to involving SMEs creates opportunities for the achievement of the Scottish Government aims of sustainable economic growth, improving efficiency, the economy and quality of services.

**Part of the communities we serve**

Within our Scottish SME supply chain, we support many local businesses either through a consortium or individually. [REDACTED]

[REDACTED]

CFL is a large company operating across the west coast of Scotland and we offer many opportunities to engage with us. Our ongoing work supporting SMEs contributes to building supply chain maturity, while encouraging continuous improvement. SMEs are recognised for adding considerable value to our operations, helping to improve our own efficiency through innovation and flexibility, delivering exceptional value through having lower overheads and providing superior levels of service in specialist areas that, ultimately, enhance the quality of our own.

CFL's many years' experience of engaging with SMEs confirms the value in creating increased employment opportunities that support the wellbeing and longevity of the many local and regional communities that we serve. We have helped provide opportunities for businesses to develop, grow, increase their product ranges, employ locally and increase their distribution networks. With 80% of our current supply chain being SMEs, of which half are Scottish, we confirm that we will continue to take every opportunity to involve SMEs in our supply chain for the new Contract.

**The Operator shall, in addition to any other reporting requirements of the Contract, monitor and report against the following Key Performance Indices.**

## 2.5 KPIs

### Executive Summary

CFL will provide a baseline of performance indicators that will be used to measure performance across the ferry service requirement and our proposed solutions as outlined within the conceptual proposals.

For each area of the conceptual proposal, we have considered its key outcomes and objectives, and identified a small and focused list of key performance indicators that will enable Transport Scotland to assess our delivery of the commitment and achievement of the expected outcome. This has been combined with the range of required key performance indicators included in the obligation for Reporting Requirements (Schedule 14) and Monitoring Procedures (Schedule 15).

We will provide clear, measurable and relevant KPIs, and through benchmarking, regular review of our performance and action plans, we will drive continuous improvement across all aspects of the Service. This will enable Transport Scotland to perform its wider functions of improving journey times and connections, reducing emissions to tackle climate change, and improving quality, accessibility and affordability of transport.

### Information

CFL will produce a monthly management pack that will include all KPIs outlined within this response along with any appropriate external input/review. The monthly pack will be developed by CFL's in-house performance team, led by our Finance Director, and all KPIs will be updated, based on the frequency published. We will publish our performance data on our website along with providing Transport Scotland access to our reporting through a designated reporting portal.

#### (i) Meeting the requirements for the services set out in the schedules

We will meet the requirements set out within the Services by providing reports on:

- » Financial Reporting
- » Performance Measures – Part A Volume 3 Schedule 15
- » Summary of Service – Part B Volume 3 Schedule 15
- » Summary of Port Usage – Part C Volume 3 Schedule 15
- » Procurement & Supply Chain Reporting
- » Trend Analysis Reporting

#### Financial reporting

As described in Schedule 14, Part B, Reporting Requirements we will provide Transport Scotland:

- » Business Case Revisions
- » Revised Base Case Recalculation
- » Actual Outcome Statement
- » Annual Grant Reconciliation of Monthly Instalments
- » Fuel Cost Reconciliation
- » Performance Deductions
- » Revenue and Cost Statement

#### Performance measures Part A, Volume 3 Schedule 15

We will provide Transport Scotland with a monthly report on performance measures, by route, as outlined in Table 2.5 (a).

CFL currently monitors and reports all of these measures today, with the exception of punctuality (connectivity), which is a new requirement. We have an exemplary record of providing timely and accurate reports to meet the needs of Transport Scotland.

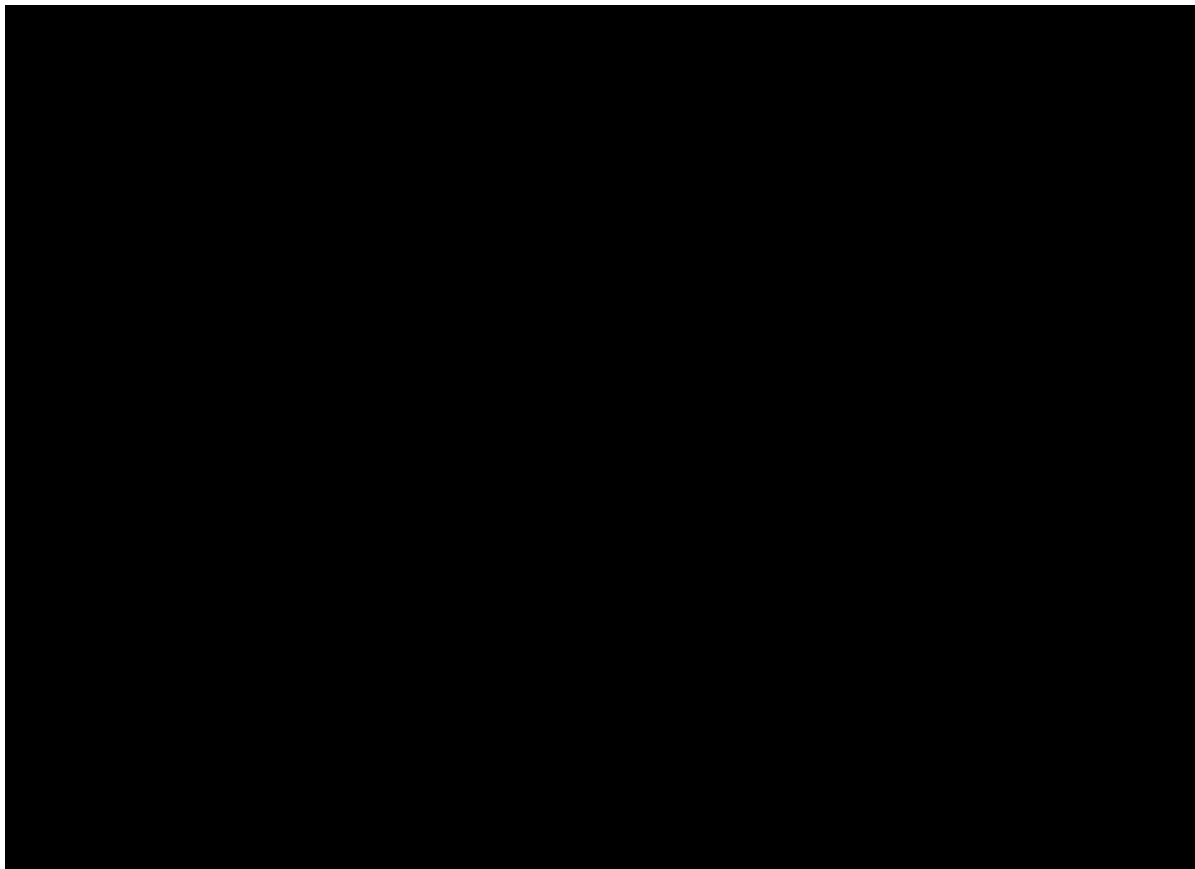
We will fulfil the requirement to deliver new reports in the format requested and will deliver these changes during mobilisation.

We are already engaged and working with ScotRail and Citylink in respect of gaining access to connection data regarding our current performance which will inform our Punctuality Connectivity Report. We will also engage with local authority transportation services and their contracted local transport operators. The business application for each measure is described in the table below. The measure will be in place during mobilisation, allowing CFL to deliver this metric for the start of the Contract.

*Table 2.5 (a) Performance measures.*

Measure	Description of business application	New / Existing
Reliability	This will be continually used to monitor CFL's effectiveness of delivering the scheduled timetable of sailings.	Existing
Punctuality (Connectivity) - Band C Sailings Only	This operational measure will be used to determine CFL's effectiveness in meeting advertised, connecting transport links within the published timetable.	New
Punctuality (Timetable)	This key measure will be used to monitor CFL's effectiveness of delivering the scheduled timetable on time, as advertised.	Existing
Compliance - Number of Notices Issued or Criminal Fines / Convictions	Currently a key compliance measure within CFL, this will provide insight into any notices, criminal fines, or convictions which have been issued by any Government Agency.	Existing
Customer Complaints Quantity	As customer satisfaction is a vital element in the successful delivery of the Service, it is extremely important that we listen and react to customer complaints in a proactive manner.	Existing
Relief Event Days Timetable Affected	To provide key information and insights on sailings affected by relief events.	Existing
Harbour Inoperability	Detailed report of the reason and number of days that	Existing

Measure	Description of business application	New / Existing
	harbours within the CHFS network are inoperable.	
Safety Events	Safety is at the heart of everything we do. This report will provide detailed insight into all safety comprising events.	Existing



#### Summary of service – Part B, Volume 3, Schedule 15

As described in Volume 3, Schedule 15, the monthly summary of service report requires the number of scheduled, unscheduled, lifeline services provided by route and vessel for a reportable month.

The key data types requested include: number of passengers; vehicles (car, coaches, unaccompanied vehicles, commercial vehicles (lane meters); livestock (lane meters), dangerous goods; and loose freight and parcels. CFL already has established policies and processes in place for collecting and reporting on these types of data. Building from the data already established within the business, we will develop and deliver the new report format requested during mobilisation.

#### Summary of port usage – Part C, Volume 3, Schedule 15

Port usage by route, harbour and vessel for scheduled, unscheduled and additional ferry services, is a new report requirement for the Contract. CFL currently collects all data, which will enable us to provide this new report during mobilisation.



**Procurement & Supply Chain Reporting**

We will provide a quarterly report on Procurement & Supply Chain which will include the number of supported businesses engaged, their contract value, service provided, number of people employed and the location of the company in each case.

**Trend analysis**

As outlined in the Schedule, we will provide 12-month trend analysis with monthly data points in the following areas:

- » Carryings (passengers, cars, vehicles, coaches, and CVs)
- » Foot passenger bikes
- » Vehicle and passenger utilisation
- » Customer complaints received and not resolved
- » % Vehicle Capacity not available
- » Average speed of answer with our contact centre
- » % Port services offered

**Managing and mitigating risks**

We have highlighted the most significant risks in the table below together with our plan to mitigate them:

Risk	Mitigation
<div style="background-color: black; height: 15px; width: 100%; margin-bottom: 5px;"></div> <div style="background-color: black; height: 15px; width: 100%; margin-bottom: 5px;"></div> Impact: Reporting results are incorrect.	As part of the new organisation structure, data stewards will be responsible for data quality and process.
The data / timetables for transport connectivity is either incorrect or not provided at all. Impact: Delay in delivery of reporting.	We have established relationships with ScotRail, Stagecoach and local authorities. Transport Integration Manager to work collaboratively with all third parties.

**(ii) Fulfilling the terms outlined in the conceptual proposal**

Our conceptual proposal KPIs are outlined in Table 2.5 (b). These KPIs demonstrate the basis of the outcomes from the conceptual proposals. We will consult and agree with Transport Scotland, the measures on which we will develop such reports during mobilisation.

All KPIs will be provided within the Contract Outcomes Report, which will be available for review during the Quarterly Service Performance Meeting with the exception of Net Promoter Score, as defined within Table 2.5 (b) and Employee Engagement Survey as results will only be available annually and bi-annually respectively. We use the Net Promoter Score as a leading customer satisfaction measurement tool and will carry out an annual survey to gather how satisfied customers are with the service. Employee Engagement Surveys will be conducted with all employees of CFL every two years and results of this survey will be provided to Transport Scotland.

The conceptual proposal KPIs have been designed in a hierarchical approach; each KPI has an objective, along with supporting sub KPIs that will be monitored to help improve the overall conceptual proposal KPI. Our approach will help relay to Scottish Ministers any change in performance, enabling CFL to provide insight along with a

summary stating achievements and / or action plan for managing any incidents or problems that occurred during the reported period. CFL's Client Manager will be responsible for driving continuous improvement through well-managed action plans and tracking improvements by analysing outcomes and providing feedback to Scottish Ministers through review meetings as outlined within Schedule 15.

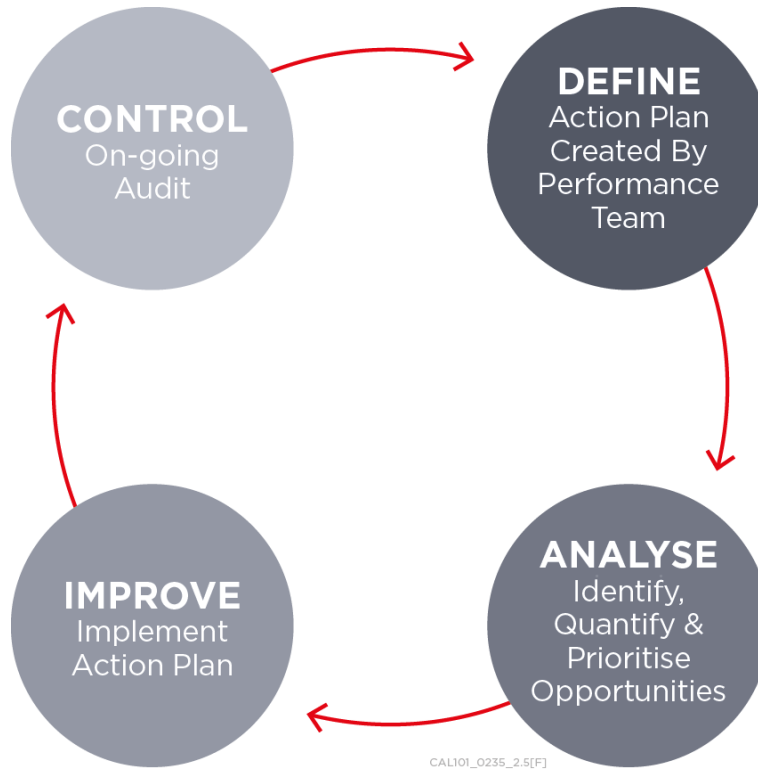


Figure 2.5 (b) CFL's process to ensure continuous improvement through action plans.

We recognise that all data is owned by Scottish Ministers and any additional requirements for data will be supported by CFL in a timely and efficient manner.

Table 2.5 (b) – Conceptual Proposal KPIs.

Conceptual Proposal	KPI No.	KPI	Definition	Business Application	KPI Formula	KPI Provided
1.2 Services: Demand Management	1	Absolute capacity utilisation (%)	Number of sailings where capacity is greater than 70% divided by the number of completed sailings.	This will be used to monitor on a season basis and by route, the emerging deck capacity requirements both in the planning of staffing levels and longer term input into possible enhancements to the Ferry Service Plan. We will also monitor utilisation by vessel.	SUM ([IF [Actual used capacity] / [Available capacity] > 70% Then 1 Else 0]) / [Number of completed sailings]	Quarterly
	2	Fully reserved sailings (%)	Number of fully reserved sailings in reservation system at the end of a given month divided by the number of sailings that can be reserved.	This will be a key measure for the business in planning ahead for the next season on a sailing by sailing basis. It will trigger the possibility of operating additional sailings as per 8.5 of Volume 3 and will also feed into consideration of demand management techniques to facilitate moving demand onto lower utilised sailings.	[Number of fully reserved sailings] / [Number of reservable sailings]	Quarterly
1.3 Vessels and Ports: Maintenance	3	Unscheduled asset unavailability (%)	Total hours a vessel is out of service measured from the first scheduled sailing to the last scheduled sailing, divided by total planned sailings hours for the vessel.	This key operational measure will be produced internally vessel by vessel and trends will be monitored on key equipment to produce root cause analysis as a basis for finding effective solutions for solving underlying problems.	[Number of planned hours asset is out of service] / [Total number of planned hours of vessel working]	Quarterly
1.4 Mobilisation Plan	4	Achieved milestone (%)	Number of milestones achieved divided by the number of milestones planned.	The Mobilisation Plan has a short time duration with key milestones that will affect the business's degree of readiness. This KPI will be used in project management mode to ensure that focus and resources are brought to bear, as and when required, as a contributor to the obligations under Volume 3 5.4.	[Number of milestones achieved] / [Planned milestones achieved]	Monthly

Conceptual Proposal	KPI No.	KPI	Definition	Business Application	KPI Formula	KPI Provided		
1.5 Marketing Plan	5	Anticipated increase in demand	This KPI will provide the anticipated increase in demand for vehicles and passengers for the network. Forecasted demand will be provided for the complete Contract Year and any increase / decrease will be calculated based on previous Contract year.	There are certain elements of the Marketing Plan that are targeted specifically at increasing the revenue of the business. These initiatives will have approved spend and targeted impact on business revenue and the business will use these KPIs to monitor progress and to ensure that any lessons are learnt as part of its continuous improvement programme.	([Forecasted demand current Contract Year] - [Actual carryings for period previous year]) / [Actual carryings for previous Contract Year]	Quarterly		
	6	Anticipated increase in income	Forecasted income for current Contract Year less previous Contract Year income as a percentage of previous Contract Year income.				[Forecasted income Current Contract Year] - [Previous Contract Year income] / [Previous Contract Year income]	Quarterly
	7	Marketing costs as % of income anticipated	Marketing costs spend as a percentage of income anticipated will be provided for the current Contract Year reported.				[Marketing costs] / [Income anticipated]	Quarterly
1.5 Marketing Plan: Smart and Integrated	8	Smart journey (%)	Total number of smart journeys made by passenger as a percentage of the total number of passenger journeys.	The business will have a specific project plan for delivery of the smart journey targets outlined in Volume 2 1.5.2. This KPI will enable the business to monitor progress along the road to delivery and specifically each milestone along the way.	[Number of Smart passenger journeys] / [Number of passenger journeys]	Quarterly		
1.6 Health and Safety Plan	9	RIDDOR	Total number of RIDDOR incidents raised.	We will monitor our business's performance using RIDDOR, MAIB and near miss ratios as key safety indicators.	[Number of RIDDOR incidents]	Quarterly		
	10	MAIB	Total Number of MAIB incidents raised.		[Number of MAIB]	Quarterly		

Conceptual Proposal	KPI No.	KPI	Definition	Business Application	KPI Formula	KPI Provided
	11	Near miss ratio	Ratio of all accidents to near misses.		$\frac{([\text{Sum crew accidents}] + [\text{Sum vehicle accidents}] + [\text{Sum pax accidents}])}{[\text{Sum near misses reported}]}$	Quarterly
1.7 Environmental Management Plan	12	Carbon dioxide equivalent (tCO <sub>2</sub> e)	Total quantity of Carbon Dioxide & Nitrous oxides & Methane gas only measured on large vessels on a three month rolling average.	The business has a number of initiatives to improve its carbon footprint including fuel efficiency and energy saving improvements. This KPI will be used to drive improvement to motivate the management team within the business.	$[\text{CO}_2] + [\text{N}_2\text{O}] + [\text{CH}_4]$	Quarterly
	13	Zero Waste Scotland	Total volume of waste sent for recycling as a percentage of total volume of waste.	There is opportunity for the business to contribute more effectively to the national targets set by Zero Waste Scotland. This KPI will be used to engage management and third party suppliers, such as the private ports and CMAL, to adopt a co-ordinated approach to continuous improvement. The business will examine this on a route by route basis.	$\frac{[\text{Volume of waste sent for recycling}]}{[\text{Total waste volume}]}$	Quarterly

Conceptual Proposal	KPI No.	KPI	Definition	Business Application	KPI Formula	KPI Provided
1.8 Customer Care and Accessibility Process	14	Net Promoter Score (%)	The Net Promoter Score methodology is based on asking customers a single question that predicts the likelihood of both repurchase and referral: "How likely is it that you would recommend this company to a friend or colleague?" Customers rate their answers on a scale from 0 to 10 as follows: 0-6 = Detractors—unhappy customers who can harm the brand through negative word-of-mouth 7-8 = Passives—satisfied but indifferent customers who could be swayed by competitors 9-10 = Promoters—loyal customers who will keep buying and referring others.	CFL's customers rely on the services we provide, to a large extent, as part of their lifestyle, for business delivery or as an important part of a leisure experience. It is, therefore, vital for our business to listen to and react on customer feedback. We will analyse the results by customer touch points to identify areas of opportunity.	[% Promoters] - [% Detractors]	Yearly
1.9 Human Resource Strategy	15	Employee engagement survey (%)	The total score achieved from the employee engagement survey divided by the total possible score achievable. Survey will commence in Year 3 of the Contract.	The business is planning on important changes to the way its staff are managed, supported, trained and deployed. This measure will be used internally to inform and benchmark the motivation and views of the various groups of staff that contribute to the overall delivery of the service.	[Employee engagement survey results achieved] / [Total possible employee engagement score]	Bi-Annually
	16	Staff employed in communities (%)	Total number of staff employed living within community areas that we serve divided by total number of staff.	It is important for CFL to create and sustain jobs within the communities it serves both on the islands and on the mainland. This KPI will be used to identify trends over time albeit that recruitment of new staff will be subject to the equal opportunities policy of the business.	[Number of staff employed in communities] / [Total number of staff employed]	Quarterly

**Hierarchical KPI approach**

Using the Net Promoter Score (NPS) as an example, Figure 2.5 (c) illustrates the hierarchical approach to KPIs we will take for the new Contract. NPS is calculated by % promoters - % detractors. Our aim will be to transfer any customers who are detractors and passives to promoters. To achieve this, we will ask the NPS question along with a varied set of questions within our customer and community survey covering all touch points our customers have with CFL. Analysis of the survey will enable us to provide insight from promoters on what we do well in addition to gaining feedback from detractors that will assist us in identifying areas of our service requiring enhancement. We will also monitor our overall NPS with the use of additional internal KPIs such as first contact resolution, appreciations and complaints as indicated below.

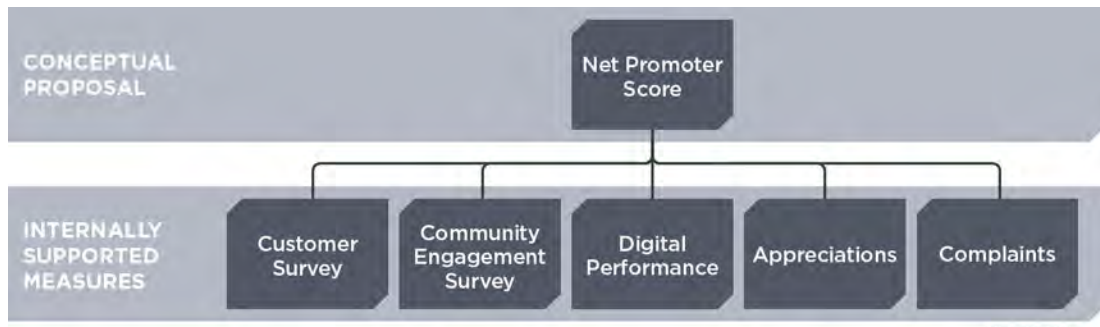


Figure 2.5 (c) Hierarchical KPI approach.

**(iii) Provide the Scottish Ministers with an economical efficient and effective implementation of the service**

The KPIs that are outlined within the schedules and conceptual proposals will provide Scottish Ministers with insight into the extent to which CFL is providing an economical, efficient and effective service. The KPIs have been designed to cover the size and scale of the operation, services, Marketing, Health and Safety, Environmental, Customer Care and Accessibility Plans and Human Resources Strategy. Targets will be based on proposals whether they are cost or delivery focused as well as the cost of delivery itself.

The following table demonstrates the KPIs that will provide an indication of effective, efficient and economical service:

Economical	Efficient	Effective
Marketing Costs as % of income anticipated, Carbon Dioxide Equivalent, Zero Waste Scotland, Financial Performance	Absolute Capacity Utilisation Full Booked Sailings (%), Carbon Dioxide Equivalent, Zero Waste Scotland, Staff Employed in Communities	Available Hours of Catering & Retail Services, Unscheduled Asset Unavailability (%), Achieved Milestone %, Anticipated Increase in Demand, Anticipated Increase in Income, Smart Journeys (%), RIDDOR, MAIB, Near Miss Ratio, Net Promoter Score, Employee Engagement Survey (%)

**(iv) Benchmarking the operation in accordance with the provision of Volume 3 Schedule 17**

In consultation with Transport Scotland, CFL will support the benchmarking process in a timely and efficient manner.

- » Transport Scotland will appoint the independent benchmarker for carrying out the benchmark review, where we note that costs will be met by the Scottish Ministers
- » We will support the benchmarking review to achieve the ten day target for providing a draft plan
- » We will provide a response with our recommendation within a ten day timeframe on the benchmarker plan for the benchmarker
- » Once the plan has been agreed, we will provide all information described in the plan and any additional information to support the benchmarking review
- » We will provide the benchmarker with access to records, technical documentation, premises, equipment, systems and personnel at all times reasonably requested

We will provide clear, measurable and relevant KPIs that enable Transport Scotland to monitor and measure our contract performance and the effectiveness of Service delivery.



**PART B: REPORTING REQUIREMENTS****1. A Grant management reporting systems shall include a methodology for procedures, format and scheduling for submitting reports on payment issues:**

- 1.1 Base Case revisions
- 1.2 Revised Base Case Recalculation
- 1.3 Actual Outcome Statement
- 1.4 Annual Grant Reconciliation of Monthly Instalments
- 1.5 Fuel Cost reconciliation
- 1.6 Performance deductions

**2. The following Data will be kept by the Operator as updated at the end of each month throughout the duration of the Services and archived for the duration of the Services in a form agreed by the Scottish Ministers and will be provided to and as directed by the Scottish Ministers on request:****2.1 Statistical Data****2.1.1. Traffic volumes by route by trip:**

Passengers (including breakdown of adults, concessions, children, infants)

Cars (including breakdown of small CVs)

Coaches

Coach passengers (including breakdown of adults, concessions, children, infants)

Freight units

- Accompanied
- Unaccompanied – trailers
- Unaccompanied – containers
- Trade cars

Livestock

Other Freight

2.1.2. Vessel trips by route – analysis to include cancelled trips and reasons for cancellation i.e. weather, ship technical faults etc., delayed trips and turn-around times

2.1.3. Fuel consumption details by ship showing monthly consumption, and (where available from on board vessel monitoring equipment) consumption per trip for main fuel types (i.e. main engines / auxiliary engines)

## **2.2 Utilisation**

- Car deck utilisation by route by trip
- Passenger utilisation by route by trip
- Vehicles left on Quay by route by trip

## **2.3 Financial Data – P&L Detail**

### **(a) Revenues**

#### **Monthly revenues split into major streams**

Revenues from transporting passengers and their vehicles – on each route

- Passengers
- Cars
- Coaches
- Coach passengers

Revenue from passengers from On-board Sales by route

- Food & Beverage Sales
- Retail/Gifts
- Gaming
- Recliner seats (if applicable)

Revenues (on each route) from Commercial Vehicles (by metered length) and Freight

- Accompanied CV
- Unaccompanied – trailers
- Trade cars(if applicable)
- Livestock

- Loose Freight and parcels
- Other Freight (on each route by relevant measure)

**(b) Direct costs to generate revenues**

**Variable costs incurred to support these revenue streams, e.g.**

- Port dues
- Commissions
- Cost of goods sold
- Damage Claims / Passenger claims including personal injury
- Other variable costs

**Monthly Vessel cost details by ship**

Crew costs – Deck & Technical

Split Basic Pay, Overtime, Other payments, NI and Pension costs

Crew costs – On-board services

Split Basic Pay, Overtime, Other payments, NI and Pension costs

Fuel costs by type, including lubricants

Any delivery charges and/or sludge disposal costs to be shown separately.

Impact of any financial instruments (e.g. hedges, caps, collars) to be shown separately

Vessel Port Expenses, i.e. ships dues, mooring costs, light dues etc.

Vessel maintenance costs

Vessel refit costs [A note on accounting treatment here would be useful to ascertain if any costs are/have been deferred over a calendar year]

Vessel insurance costs

Charter costs

Lease costs (if and when applicable)

Other vessel costs not covered by the above, e.g. consumables

**Monthly Port costs by port and function**

Staff costs - Split Basic Pay, Overtime, Other payments, NI and Pension costs

Property costs – rents, rates etc.

Utility costs – gas, electric, water

Repair & Maintenance costs

Port Equipment repairs & maintenance cost

Port Equipment Ownership costs split depreciation, leasing, rental costs

Weighbridge

**Overhead costs (Split by function if relevant, e.g. Executive, Finance, IT, HR, Sales & Marketing)**

Staff costs - Split Basic Pay, Overtime, Other payments, NI and Pension costs

Equipment costs – depreciation, rentals, lease costs

Property costs

Advertising costs

Agency costs

Insurance costs

Bad Debt provisions / write-offs

**Other Costs**

Any exceptional items charged to the operation

**2.4 Employee Data**

Current Organisation Chart

Confirmation of total complement of all seafarers allocated to each vessel

Seafarers - Employees Terms and Conditions including pay rates and allowances

Shore Staff - Employees Terms and Conditions including pay rates and allowances

Bonus arrangements

Details of Seafarers roster e.g. time on/time off

Details of any shore rostering arrangements (e.g. Port / Call Centre operatives)

Sickness profiles / overall sickness levels and details of any long term sickness

Company Handbook

Company policies

Payroll – payment dates (monthly, weekly), payment requirements

Headcount (on a head and full time equivalent (FTE) basis

Age and Service profiles

Details of any Union agreements

Last 3 years pay deals / awards

Details of Agency Staff / Agency agreements

Details of any employee disputes / consultations / tribunals / grievances

Details of pension arrangements (if applicable)

## **2.5 Vessel Data / Audit requirements of Passengers**

Full list of General Particulars for all Vessels

Asset List of items owned by Operator and values attributed to all items not part of Transferring Assets

Asset List of items of Transferring Assets associated with specific vessels including condition and estimated remaining lifespan.

Detailed spares lists by vessel with values attributed to all items, if not part of leased vessels

Full list of vessel trading / classification certificates (Detailed list of requirements to be developed)

Copy of latest Quarterly Listing from Class – Lloyds Register

Confirmation of any Conditions of Class and date when required to be resolved.

Access to the Lloyds Register system CD Live for the three passenger (leased) vessels.

Copies of General Arrangement, Capacity, Fire & Safety, Plans

Copies of Trim and Stability Booklets

Full profiles and plan views showing all dimensions of external ramps

Confirmation of external ramp fit to all linkspans in all ports served

Copies of manufacturers bulletins for major items of machinery e.g. main engines, generators, external ramps etc.

Copies of Muster Lists approved by MCA for the three passenger vessels

Vessel refit and dry-docking history including the refit cycle - periods out of service for annual/intermediate surveys

Vessel refit and dry-dock programme – future

Capital Investment programme (Capex) and projected future requirements

Copies of latest Vessel Operating Costs budget and spend against budget

## **2.6 Vessel Inspections.**

(Full access to the following should also be available in situ during inspections of Passenger & Charter Vessels as applicable.)

All vessel certificates and Class and documentary records

All survey, maintenance, refit and dry-dock records

Inspection of all passenger areas, decks, cargo holds, engine rooms and spaces.

Confirmation of vessel consumptions per day and per leg of fuel oil, MGO, Lub Oil,

Fresh water & any variances by season

Inspection of a number of ballast tanks e.g. Fore Peak, Aft Peak and possibly two other ballast tanks

Confirmation of vessel compliance with SOLAS, MARPOL, ISPS, and Stockholm Agreement

Confirmation of IT systems installed and vessel communications systems

Inspection of all crew cabins

Confirmation of spare parts held on-board and ashore

Confirmation of any outstanding planned maintenance

Confirmation of any outstanding vessel repairs e.g. hull damage etc.

## **2.7 Vessel Procurement Contracts of Passenger & Charter Vessels.**

Details (start date, contracting parties, value, synopsis of purpose and effect and end dates) of all current contracts including:

Charterparties for chartered vessels

Fuel Oil Contracts

Marine Gas Oil Contracts

Lub Oil Contracts

Chemicals Contracts

Paint Contracts

Refit & Dry-dock Contracts

GMDSS Maintenance Contracts

Any other substantive contracts in relation to the vessels

## **2.8 Other Contractual arrangements.**

Port agreements

Security (by port)

Stevedoring (by port)

Ship management

Equipment leases

Insurance policies / risk coverage

Property Agreements (Rental agreements, Land leasing agreements)

Any other contracts/agreements requiring up front funding or Guarantees

## **2.9 Other Operational issues**

Identify any exceptional issues around freight

- Pattern of Perishable Goods
- Pattern of Livestock carryings
- Pattern of Hazardous cargo carryings

## **2.10 Registers**

Transferring Assets Register

Subcontracts register

**Appendix I: Vessel trading / Classification certificates**

Signed for and on behalf of the Scottish  
Ministers

Signature.....

Signed for and on behalf of Calmac  
Ferries Ltd

Signature.....



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**SCHEDULE 15 - PERFORMANCE REGIME**

This and the following pages 953- 996 comprise Schedule 15 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

**1. Purpose of this Schedule**

1.1. This Schedule sets out the Performance Measures to which the Operator must deliver the Services, the mechanism by which any failure to meet applicable Performance Measures will be managed, and the method by which the Operator's performance under this Contract will be monitored.

1.2. Performance Measures and Performance Deductions are intended to:

1.2.1. ensure that the Services are of a consistently high quality and meet the Scottish Ministers' requirements as to performance and reliability;

1.2.2. provide a mechanism whereby the Scottish Ministers can show meaningful recognition of any failure by the Operator to deliver the level of public services for which it has contracted and, where appropriate, which will be recognised by the service users as consequential to their inconvenience and/or loss; and

1.2.3. incentivise the Operator to meet the Performance Measures and to remedy any failure to meet the Performance Measures expeditiously.

**SCHEDULE 15 – PERFORMANCE REGIME****PART 1: MONITORING PROCEDURES****1. Weekly Operational Issues Review**

1.1. The Operator and the Scottish Ministers shall hold each week an Operation Issues Review to provide a weekly dialogue on current operational issues which should be shared to ensure that each party is informed over the conduct and impact of the Services on users and communities. The Operational Issues review may be conducted by telephone or other electronic media which gives at least voice broadcast and reception between all persons participating.

**2. Monthly Performance Measure Report and Service Performance Review Meetings**

2.1. The Operator shall supply separate reports to the Scottish Ministers for each route as follows:

2.1.1. Monthly Reports on Performance Measures for each of the following matters summarised in the relevant form of Annex Part A and where appropriate including for any Relief Events:

2.1.1.1. Reliability

2.1.1.2. Punctuality (connectivity) - Band C Sailings only

2.1.1.3. Punctuality (timetable)

2.1.1.4. Compliance

2.1.1.5. Customer Complaints

2.1.1.6. Relief Events and, if appropriate, the steps being taken to alleviate the consequences of Relief Events;

2.1.1.7. Harbour Inoperability (Third Party) including any relevant Relief Events;

2.1.1.8. Safety compromising events.

2.1.2. A monthly summary (in the form of Annex Part B, Part C or in a form to be agreed or otherwise specified by The Scottish Ministers as relevant) of:

2.1.2.1. Monthly carrying information relating to the Scheduled Ferry Services on a route and vessel specific basis summarised from its management systems (which information shall show a detailed

breakdown of passengers, differentiated vehicle classes, unaccompanied trailers Dangerous Goods, livestock and loose freight and parcel services;

2.1.2.2. Monthly carrying information relating to any Unscheduled Ferry Services undertaken by the Operator in accordance with Schedule 3 in the relevant quarter, including information relating to the date, time, carryings, route and purpose of such Unscheduled Ferry Services;

2.1.2.3. Monthly carrying information relating to any Associated Lifeline Services undertaken by the Operator in accordance with Schedule 3 in the relevant quarter, including information relating to the date, time, carryings, route and purpose of such Associated Lifeline Services;

2.1.2.4. Ports usage;

2.1.2.5. the position in relation to Performance Deductions due on Performance Measures before Relief Events are taken into account, and Performance Measures after Relief Events are taken into account in a format to be agreed with the Scottish Ministers;

2.1.2.6. Scheduled Maintenance carried out and compliance with the Scheduled Maintenance Programme in a format to be agreed with the Scottish Ministers;

2.1.3. Monthly detailed statements of both revenue, variable costs incurred to support those revenue streams and monthly vessel operating costs on a vessel specific basis differentiating between general shore costs, fuel costs, sea-going costs, marketing costs and other costs, including separate financing statements for Grant supported services, which clearly demonstrates that there is no cross subsidisation with any other of the Operator's activities or the activities of any Associated Company.

2.2. The Operator and the Scottish Ministers shall attend Monthly Service Performance Review Meetings on a monthly basis (unless otherwise agreed) and the Monthly Reports on Performance Measures and Monthly Summaries shall be reviewed and their contents acknowledged by the parties at the meeting(s) which immediately follows the issue of such reports in accordance with paragraph 2.1.

2.3. The Monthly Service Performance Review Meetings will be the forum for the review by the Operator and the Scottish Ministers of the Monthly Reports on Performance Measures and Monthly Summaries. The Performance Review Meetings shall (unless otherwise agreed):

2.3.1. take place within four weeks of the Monthly Reports on Performance Measures and Monthly Summaries being issued by the Operator;

2.3.2. take place at such location and time (within normal business hours) at the Scottish Ministers' premises unless otherwise agreed in advance, no provision will be made by the Scottish Ministers for the expenses of the Operator's representatives to attend such meetings;

2.3.3. be attended in person by the Operator's Representative and the Scottish Ministers' Representative and relevant Key Personnel; and

2.3.4. be fully minuted by the Operator. The prepared minutes will be approved or corrected by the Scottish Ministers and thereafter circulated by the Operator to all attendees at the relevant meeting and also to the Senior Operator's Representative and any other recipients agreed at the relevant meeting. The minutes of the preceding Performance Review Meeting will be agreed and signed by both the Operator's Representative and the Scottish Ministers' Representative at each meeting.

### **3. Quarterly Performance Measure Report and Service Performance Review Meetings**

3.1. A quarterly Performance Measure Report will be prepared by the Operator on a route specific basis to supplement the monthly, and annual reports and summarize the performance in such format as notified by the Scottish Ministers from time to time. As a minimum, the following information shall be provided in respect of that quarter and rolling year as appropriate:

3.1.1. for each Performance Measure, the actual defined performance achieved over the quarter, and that achieved over the previous 12 months;

3.1.2. a summary of all Performance Measure Failures, Incidents and Problems that occurred during the reported period the cause of the fault and action being taken to reduce the likelihood of recurrence;

- 3.1.3. which Performance Measure Failures and Incidents remain outstanding and progress in resolving them;
  - 3.1.4. for any repeat Incidents and Performance Measure Failures, actions taken to resolve the underlying cause and prevent recurrence;
  - 3.1.5. for any Performance Measure Failures for which the Operator believes Relief Event will apply, the underlying cause of such Performance Measure Failure. The Operator shall ensure that each such Performance Measure Report will be accompanied by appropriate data and information which substantiate the circumstances or events giving rise to Relief Event;
  - 3.1.6. the value of Performance Deductions accruing in that reporting period;
  - 3.1.7. the Performance Deductions to be applied in respect of that reporting period indicating the Performance Measure Failure(s) to which the Performance Deductions relate;
  - 3.1.8. a rolling total of the number of Performance Measure Failures that have occurred and the amount of Performance Deductions that have been incurred by the Operator over the previous 12 months; and
  - 3.1.9. such other details as the Employer may reasonably require from time to time.
- 3.2. The Operator and the Scottish Ministers shall attend on a quarterly basis on the request of either the Operator or the Scottish Ministers a Quarterly Service Performance Review Meeting, which can be held either co-incidentally with or separate from the Monthly Service Performance Review Meeting which is scheduled to occur within the timescale of the relevant Quarterly Service Performance review Meeting.
- 3.3. The Service Performance Review Meetings will be the forum for the review by the Operator and the Scottish Ministers of the Performance Measure Reports. The Performance Review Meetings shall (where requested to take place and unless otherwise agreed):
- 3.3.1. take place within four weeks of the Performance Measure Report being issued by the Operator;

- 3.3.2. take place at such location and time (within normal business hours) at the Scottish Ministers' premises unless otherwise agreed in advance, no provision will be made by the Scottish Ministers for the expenses of the Operator's representatives to attend such meetings;
- 3.3.3. be attended in person by the Operator's Representative and the Scottish Ministers' Representative and relevant Key Personnel; and
- 3.3.4. be fully minuted by the Operator. The prepared minutes will be approved or corrected by the Scottish Ministers and thereafter circulated by the Operator to all attendees at the relevant meeting and also to the Senior Operator's Representative and any other recipients agreed at the relevant meeting. The minutes of the preceding Performance Review Meeting will be agreed and signed by both the Operator's Representative and the Scottish Ministers' Representative at each meeting.

#### **4. Six Monthly Summary and Annual Reports**

- 4.1. A 6 monthly summary report shall be provided by the Operator in a form to be agreed or otherwise specified by the Scottish Ministers covering the 6 Month periods on the Performance Measures. This should be made available following approval by the Scottish Ministers for publication in the Operator's annual report, for use by the Scottish Ministers as necessary and to the members of the consultation meetings with users required under Clause 40;
- 4.2. Annual Reports shall be provided by the Operator on:
  - 4.2.1. the Customer Complaint Process;
  - 4.2.2. safety to include detailed information about any reportable accidents, including any serious injuries, fatalities, and any events hazardous to vessels; and
  - 4.2.3. environmental performance detailing the fuel efficiency characteristics achieved by the vessels compared to the baseline (tender) predictions and the energy efficiency measures introduced across the services and their impact on reducing Carbon release.



**5. Annual review of Plans**

5.1. The Scottish Ministers and the Operator shall meet annually to review each of:

- 5.1.1. The Health and Safety Plan;
- 5.1.2. The Environmental Management Plan;
- 5.1.3. The Marketing Plan;
- 5.1.4. The Human Resources Plan;
- 5.1.5. The Equalities Impact Assessment.

**6. General reporting requirements**

- 6.1. The Operator shall (except where in any instance it has been otherwise agreed by the Scottish Ministers) submit each report fully completed as required to the Scottish Ministers within 6 weeks after the end of the relevant Month/Quarter/Six monthly period or Year.
- 6.2. Where the Scottish Ministers considers that the Operator has failed to provide a Performance Measure Report which materially complies with paragraph 4.1, the Scottish Ministers will notify the Operator in writing of such non-compliance (which notice shall contain details of the alleged non-compliance) within five Business Days of the date of the Scottish Ministers' receipt of the Performance Measure Report or within five Business Days of the date on which the Performance Measure Report should have been provided in accordance with paragraph 4.1 and the Operator shall remedy such failure within ten (10) Business Days.
- 6.3. The Scottish Ministers are entitled to raise any additional questions and/or request any further information regarding any Performance Measure Failure.
- 6.4. The Operator shall provide to the Scottish Ministers such supporting documentation as they may reasonably require in order to verify the level of the performance by the Operator and the calculations of the amount of Performance Deductions for any specified period.
- 6.5. The Operator shall hold in electronic format and continue to hold for the duration of the contract copies of all information and reports (including initial and agreed versions where appropriate) for which he is responsible for providing and shall provide any such information to the Scottish Ministers at

any time on request and within two working days following the Termination Date or one month of the Expiry Date as appropriate.

- 6.6. The Scottish Ministers may, at their own expense, carry out such monitoring and/or audit of the Services as they determine may be required in order to measure the performance of the Operator against the Performance Measures, provided that such monitoring and/or audit does not have an adverse effect on the provision by the Operator of the Services or its ability to meet the Performance Measures.

## **7. Finance And Efficiency Information**

- 7.1. The Operator shall submit either as part of the audited financial statements submitted pursuant to Clause 47.8 or separately:-
- 7.1.1. efficiency and financial information at the end of each Service Year;
  - 7.1.2. detailed statements of both revenue and expenditure on a route by route basis where appropriate differentiating between general seagoing and vessel maintenance costs, catering and other service costs, seagoing staff costs, marketing costs and other costs;
  - 7.1.3. detailed statements of both revenue and operating costs on a Harbour and Port basis where appropriate differentiating between general shore costs, stevedoring and security costs, catering and other service costs, shore staff costs, marketing costs and other costs;
  - 7.1.4. separate financing statements for Grant (including the Fuel Supplement and any Capital Supplements) supported services, which clearly demonstrate that there is no cross subsidisation with any other of the Operator's activities or the activities of any Associated Company;
  - 7.1.5. Grant and Fuel Supplement as a percentage of turnover; and
  - 7.1.6. separate accounting for the receipt and expenditure of Capital Supplements.

**This is the Annex A referred to in the foregoing Schedule 15 – Part 1 to the  
Contract Between the Scottish Ministers and Calmac Ferries Ltd**

**SCHEDULE 15 – PART 1  
ANNEX - MONITORING PROCEDURES – SAMPLE REPORTS**

**PART A**

**MONTHLY REPORT ON PERFORMANCE MEASURES**

Route	Time Period- Month/Year	

**Reliability:**

Vessel	In the relevant Month:			
	No. of scheduled sailings	No. of sailings completed	Sailings completed (%)	Applicable Relief Event(s) (if any)

**Punctuality (Connectivity) – Band C Sailings only:**

Vessel	Number of times in the relevant Month that the Vessel:		
	Met the Performance Measure	Did not meet the Performance Measure	Applicable Relief Event(s) (if any)

**Punctuality (Timetable):**

Vessel	Number of times in the relevant Month that the Vessel:		
	Met the Performance Measure	Did not meet the Performance Measure	Applicable Relief Event(s) (if any)

**Compliance:**

<b>Enforcing Body (HSE, SEPA or other governmental or statutory body or agency)</b>	<b>Number of notices issued or criminal fines or convictions</b>	<b>Further details of notices / fines / convictions</b>

**Customer Complaints:**

<b>Quantity of customer complaints received IN THE PRECEDING MONTH in relation to the Services</b>	<b>Quantity of customer complaints not resolved by the Customer Complaints Process BY THE END OF THE CURRENT MONTH</b>	<b>Further details of customer complaints (including how complaint was escalated / resolved) in accordance with the Customer Complaint Process</b>

**Relief Events:**

<b>Description of relief event (including No of Days Timetable affected and No of Sailings Affected)</b>	<b>Measures taken to alleviate the event or to avoid similar events</b>

**Harbour inoperability:**

<b>Description of Harbour Inoperability (including No of Days Timetable affected and No of Sailings Affected)</b>	<b>Classified as relief Event (Yes/No)</b>	<b>Cause – including alleged responsible third party</b>

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**Safety:**

Description of Safety Compromising Event	Reportable event	Serious injury	Fatality	Event hazardous to vessel

Date of Submission of report	Signed on behalf of the Operator (Name and designation)

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**PART B**

**MONTHLY SUMMARY OF SERVICES**

<b>Time period Month/ Year</b>	
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<b>SCHEDULED FERRY SERVICES</b>									
Route name	Vessel	Passenger	Vehicles						Loose freight & parcels
			Cars	Coaches	Unaccompanied vehicles	Commercial Vehicles (per lane metre)	Livestock (per lane metre)	Dangerous Goods	
<b>Monthly total</b>									
<b>Cumulative total for Service Year to date</b>									

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UNSCHEDULED FERRY SERVICES									
Route name	Vessel	Passenger	Vehicles						Loose freight & parcels
			Cars	Coaches	Unaccompanied vehicles	Commercial Vehicles (per lane metre)	Livestock (per lane metre)	Dangerous Goods	
<b>Monthly total</b>									
<b>Cumulative total for Service Year to date</b>									
Route name	Vessel	Provide reasons for deploying Unscheduled Ferry Service							

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<b>ASSOCIATED LIFELINE SERVICES</b>									
Route name	Vessel	Passenger	Vehicles						Loose freight & parcels
			Cars	Coaches	Unaccompanied vehicles	Commercial Vehicles (per lane metre)	Livestock (per lane metre)	Dangerous Goods	
<b>Monthly total</b>									
<b>Cumulative total for Service Year to date</b>									
Route name	Vessel	Provide reasons for deploying Associated Lifeline Service							



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<b>Date of Submission of report</b>	<b>Signed on behalf of the Operator (Name and designation)</b>

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**PART C**

**MONTHLY SUMMARY OF PORT USAGE**

<b>Time period Month/ Year</b>	
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	Route name	Harbour name	Vessel	Usage
<b>Scheduled Services</b> <b>Ferry</b>				
<b>Unscheduled Services</b> <b>Ferry</b>				
<b>Additional Services</b> <b>Ferry</b>				

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<b>Date of Submission of report</b>	<b>Signed on behalf of the Operator (Name and designation)</b>

**SCHEDULE 15 – PERFORMANCE REGIME****PART 2: PERFORMANCE MEASURES****1 Definitions**

1.1 In this Part 2 of the Schedule 15 words and expressions shall, except where the context otherwise requires, have the following meanings assigned to them:

**Connecting Public Transport Service** means a service so indicated in the Timetable;

**Day of Third Party Inoperability** in respect of any Harbour means that the Harbour Inoperability (Third Party) applies to that Harbour for more than 3 hours in any 24 hour period;

**Harbour Inoperability (Third Party)** in respect of any Harbour means that a Harbour cannot be used by any third party entitled to access in accordance with the relevant Harbour Order because it is unsafe or otherwise unfit for use. A Harbour is unsafe or otherwise unfit for use in this context if its condition is such that the harbour manager or other responsible person decides that it is unsafe or otherwise unfit for use for operational or safety reasons provided always that a Harbour which suffers Harbour Inoperability (Third Party) as a direct consequence of a Performance Relief Event shall be deemed not to be inoperable for the purposes of this Section;

**HOA** means the Harbour Operating Agreement between the Operator and CMAL;

**Harbour Operating Fee** shall have the meaning given to it in the HOA;

**Harbour Orders** means Harbour Orders, Harbour Revision Orders or Harbour Empowerment Orders and shall have the meaning attributed to each in the HOA or any harbour access agreement or terms and conditions;

**Lifeline Service Relief** means the cancellation or late arrival of any sailing if the cause of the cancellation or lateness is attributable to the requirement for the provision of services of a lifeline nature, such services including but not limited to:

the transportation of exceptionally high, wide or long loads which require the Operator to deviate from normal operating procedures for the relevant Vessel;

the spreading of ashes at sea or the accommodation of other funeral arrangements;

the transportation of coaches or buses to or from a Slip; and

cases of urgent medical need,

in all cases where, without prejudicing the provision of that lifeline service taken as a whole, such cancellation or lateness (or the effects thereof) could not have been avoided or mitigated by the exercise of due diligence by the Operator;

**Performance Failure** means a failure by the Operator to meet any Performance Measure which gives rise or should give rise to a deduction;

**Performance Relief Event** means:

- (a) any Relief Event;
- (b) any Upgrade Relief Event;
- (c) the late arrival of any sailing by a Vessel which has come into service within the preceding 9 months, where the cause of the lateness is adverse weather or tidal conditions which have not previously been encountered by that Vessel on that route and where such lateness could not have been avoided or mitigated by the exercise of due diligence by the Operator; and
- (d) VC Unavailability due to requirements of operational safety, exclusion zones, dangerous materials, abnormal loads, and maintenance and repair of the Vessels.

**Relevant Sailings** means the actual number of sailings to be made in any Service Year as set out in the relevant Published Timetable together with, in relation to those Scheduled Ferry Services which are described in the Published Timetable as being provided "frequently", the actual number of sailings made as so described on those routes in the preceding Service Year;

**Reporting Failure** means a failure by the Operator to record a Performance Failure;

**Sailing** means Band A Sailings together with Band B Sailings and Band C Sailings;

**Third Party Vessel** means any vessel other than a Vessel;

**Upgrade Relief Event** means the unavailability of any part of a Vessel in accordance with an Owners Upgrade Programme or a Charterers' Upgrade Programme (as both those terms are defined in the Fleet Bareboat Charterparty or the Loch Seaforth Bareboat Charterparty as appropriate) where such unavailability could not have been avoided or mitigated by the exercise of due diligence by the Operator;

**Vehicle Capacity (or VC)** means the total area designed to accommodate vehicles on a Vessel; and

**VC Unavailability** means any Vehicle Capacity which is not made available by the Operator for the provision of vehicle accommodation on any Sailing.

## **2 Performance Measures For Part Of A Month:**

- 2.1 In the event that part of a Month has to be measured for the purposes of this Part of the Schedule 15, Performance Measures and deductions will be pro-rated relative to the number of scheduled sailings in that Month and relevant part of a Month.

## **3. Performance Measures For Reporting Failure:**

- 3.1 If in respect of any Month the Scottish Ministers notify the Operator that there has been a Reporting Failure, the Scottish Ministers shall be entitled to make the following deductions:
- a) the deduction which would have been made for that Performance Failure but was not, due to the Reporting Failure (the "Deduction"); and
  - b) a sum equal to:
    - i. five times the Deduction; or
    - ii. in the event that it is agreed or determined that the Performance Failure was due to fraudulent or wilful default by the Operator,

thirty times the Deduction;

provided that:

1. where the Operator has remedied the Reporting Failure prior to the earlier of (1) the Scottish Ministers issuing said notice and (2) the date falling twelve (12) weeks after the date on which the relevant report should have been made, deductions equal to (a) and 50% of those set out at (b)(i) above shall be made in respect of that Reporting Failure; and
2. where, in respect of a series of Reporting Failures occurring on the same day, the Operator notifies the Scottish Ministers within 7 days of receipt of said notice that the later Reporting Failures are directly related to the initial Reporting Failure in that series then deductions pursuant to (b)(i) above may be made only in respect of the initial Reporting Failure.

## SECTION A

### PERFORMANCE MEASURE FOR RELIABILITY:

<p><b>Performance Measure for Reliability</b></p>	<p>The Performance Measure for Reliability is the completion of each Sailing referred to in the Published Timetable.</p> <p>A Sailing which either does not commence or does not complete in accordance with the Published Timetable as a direct consequence of a Performance Relief Event shall be deemed to have been completed for the purpose of the Performance Measure for Reliability.</p> <p>A Sailing which arrives at the same time as, or after, the next Sailing advertised in the Published Timetable is due to arrive for the same route will be regarded as not having been completed.</p> <p>For the purposes of this Performance Measure,</p>
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	Published Timetable shall mean: a) the Published Timetable; b) the Published Timetable as the same may have been varied temporarily in accordance with Clauses 8.5 or 14; or c) where a timetable has been published for an Unscheduled Ferry Service, that timetable.
<b>Periods to be measured</b>	The Month commencing on the Commencement Date and each successive Month thereafter
<b>Classification of reliability over period:</b>	<b>Deduction to apply to classification:</b>
1 For each of Band A Sailings, Band B Sailings or Band C Sailings, less than 100% of Sailings meet the Performance Measure for Reliability	Deduct 100% of the AGRS for Band A Sailings, Band B Sailings or Band C Sailings as appropriate for each affected Sailing

**SECTION B**

**PERFORMANCE MEASURE FOR PUNCTUALITY (Connectivity) – Band C Sailings only:**

<b>Performance Measure for Punctuality (Connectivity)</b>	A Band C sailing meets the Performance Measure for Punctuality (Connectivity) if:-  (c) in the case of a Band C Sailing, the sailing is Completed to provide sufficient time for passengers, including those with a disability to board a scheduled public transport vehicle or vessel which is operating what is defined by the Operator as a Connecting Public Transport
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	<p style="text-align: center;">Service</p> <p>For the purposes of this Performance Measure, the measure will be deemed to have been met if the Operator and connecting public service agree to delay the connecting service beyond its scheduled time so that passengers, including any with a disability to board the connecting vehicle or vessel.</p> <p>A Vessel which does not meet the Performance Measure for Punctuality (Connectivity) for a Sailing either because it is late, or fails to run, as a direct consequence (in either case) of a Performance Relief Event shall be deemed to have met the Performance Measure for Punctuality (Connectivity) in respect of the relevant Sailing.</p>
<p><b>Periods to be measured</b></p>	<p>The Month commencing on the Commencement Date and each successive Month thereafter</p>
<p><b>Classification of punctuality (connectivity) over period:</b></p>	<p><b>Deduction to apply to classification:</b></p>
<p><b>1</b> for Band C Sailings Less than 100% of Sailings meet the Performance Measure for Punctuality (connectivity)</p>	<p>For every failure to meet the Performance measure</p> <p>Deduct 25% of the AGRS Band C Sailings as appropriate.</p> <p>This deduction is additional to any deduction made in respect of the same lateness for Punctuality (Timetable).</p>

**SECTION C****PERFORMANCE MEASURE FOR PUNCTUALITY (Timetable):**

<p><b>Performance Measure for Punctuality (Timetable)</b></p>	<p>A sailing meets the Performance Measure for Punctuality (Timetable) if:-</p> <ul style="list-style-type: none"> <li>(a) in the case of a Band A Sailing, the sailing is Completed within 5 minutes of the Published Timetable and</li> <li>(b) in the case of a Band B Sailing, the sailing is Completed within 10 minutes of the Published Timetable.</li> <li>(c) in the case of a Band C Sailing, the sailing is Completed within 15 minutes of the Published Timetable.</li> </ul> <p>For the purposes of this Performance Measure, Published Timetable shall mean:</p> <ul style="list-style-type: none"> <li>a) the Timetable,</li> <li>b) the Timetable as the same may have been varied temporarily in accordance with Clauses 8.5 or 14, or</li> <li>c) where a timetable has been published for an Unscheduled Ferry Service, that timetable.</li> </ul> <p><b>Completed</b> means (in relation to Piers) when the Vessel is all fast and secure alongside or (in relation to Slips) when the ramp stool has made contact with the concrete slip.</p> <p>Unpunctual arrivals are categorised as follows:</p> <p><b>Band A Sailings</b></p> <p>Level 1 Lateness      arrives 5 -10 Minutes later</p>
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	<p>than Published Timetable</p> <p>Level 2 Lateness arrives over 10 Minutes later than Published Timetable</p> <p><b>Band B Sailings</b></p> <p>Level 1 Lateness arrives 10-20 minutes later than Published Timetable</p> <p>Level 2 Lateness arrives over 20 Minutes later than Published Timetable</p> <p><b>Band C Sailings</b></p> <p>Level 1 Lateness arrives 15 – 30 minutes later than Published Timetable</p> <p>Level 2 Lateness arrives over 30 Minutes later than Published Timetable</p> <p>A Vessel which does not meet the Performance Measure for Punctuality for a Sailing either because it is late, or fails to run, as a direct consequence (in either case) of a Performance Relief Event shall be deemed to have met the Performance Measure for Punctuality in respect of the relevant Sailing.</p>
<p><b>Periods to be measured</b></p>	<p>The Month commencing on the Commencement Date and each successive Month thereafter.</p>
<p><b>Classification of punctuality (Timetable) over period:</b></p>	<p><b>Deduction to apply to classification:</b></p>
<p><b>1</b> for Band A Sailings, Band B Sailings or Band C Sailings as appropriate                  Less than 100% of Sailings meet</p>	<p>For every Level 1 Lateness                  Deduct 25% of the AGRS for Band A Sailings, Band B Sailings or Band C Sailings as</p>

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the Performance Measure for Punctuality	appropriate For every Level 2 Lateness Deduct 50% of the AGRS for Band A Sailings, Band B Sailings or Band C Sailings as appropriate
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## SECTION D

### PERFORMANCE MEASURES FOR COMPLIANCE

<b>Performance Measure for Compliance</b>	<p>The Performance Measure for Compliance is compliance by the Operator with all Applicable Law.</p> <p>This Performance Measure shall only apply to notices or convictions relating to the Approved Service or anything done pursuant to the Principal Contracts.</p> <p>This Performance Measure shall not apply to notices issued on or convictions of the Operator or any subcontractor thereof in respect of actions or incidences of non-compliance by a third party (not being an Associated Company).</p>
<b>Periods to be measured</b>	The Month commencing on the Commencement Date and each successive Month thereafter.
<b>Classification of service levels over period:</b>	<b>Deduction to apply to classification:</b>
1 No notices as a result of non-compliance issued on the Operator or any subcontractor thereof by or on behalf of CMAL (acting in its capacity as	No Deduction (compliance).

	statutory harbour authority) HSE, SEPA, Commissioner of Northern Lighthouses or any other governmental or statutory body or agency and no criminal convictions / fines	
<b>2</b>	1 – 2 notices as a result of non-compliance issued on the Operator or any subcontractor thereof by or on behalf of CMAL (acting in its capacity as statutory harbour authority) HSE, SEPA, Commissioner of Northern Lighthouse or any other governmental or statutory body or agency or a conviction for a summary offence resulting in a Level 1 - 5 fine	Deduct £1,500 for each notice, conviction or fine.
<b>3</b>	3 or more notices as a result of non-compliance issued on the Operator or any subcontractor thereof by or on behalf of CMAL (acting in its capacity as statutory harbour authority) HSE, SEPA, Commissioner of Northern Lighthouses or any other governmental or statutory body or agency or a conviction for an indictable offence	Deduct £3,000 for each notice, conviction or fine.

**SECTION E****PERFORMANCE MEASURES FOR SERVICE LEVELS – CUSTOMER CARE AND ACCESSIBILITY PROCESS**

<p><b>Performance Measure for Services – Customer Care and Accessibility Process</b></p>	<p>The Performance Measure for Service is compliance with the provisions of the Customer Care and Accessibility Process.</p> <p>Where more than one complaint arises out of a single failure by the Operator to comply with a matter addressed in the Customer Care and Accessibility Process, those complaints shall be treated as one complaint for the purposes of this Performance Measure for Customer Care and Accessibility Process.</p> <p>Complaints measured under this Performance Measure shall be limited to those received by the Operator in the period up to the end of the Month following the Month in which the incident giving rise to the complaint occurred.</p>
<p><b>Periods to be measured</b></p>	<p>The Month commencing on the Commencement Date and each successive Month thereafter.</p>
<p><b>Classification of service levels over period:</b></p>	<p><b>Deduction to apply to classification:</b></p>
<p><b>1</b></p>	<p>No instances of non-compliance with matters addressed in the Customer Care and Accessibility Process where a complaint has been made.</p>
<p><b>2</b></p>	<p>1 instance of non-compliance with matters addressed in the Customer Care and Accessibility Process where a complaint has been made.</p>
<p>No Deduction (compliance).</p>	<p>Deduct 10% of:</p> <ul style="list-style-type: none"> <li>○ the AGRS for the relevant Sailing or where each incidence of non-compliance affects more than one Sailing the AGRS of the each of the relevant Sailings.</li> </ul>
<p><b>3</b></p>	<p>2 instances of non-compliance with matters addressed in the Customer Care and Accessibility</p>
<p>Deduct 25% of: the AGRS for the relevant Sailing or where each incidence of non-compliance affects more than one</p>	

	Process where a complaint has been made.	Sailing the AGRS of the each of the relevant Sailings.
<b>4</b>	3 or more instances of non-compliance with matters addressed in the Customer Care and Accessibility Process where a complaint has been made.	Deduct 50% of: <ul style="list-style-type: none"> <li>○ the AGRS for the relevant Sailing or where each incidence of non-compliance affects more than one Sailing the AGRS of the each of the relevant Sailings.</li> </ul>

### SECTION F.1

#### PERFORMANCE MEASURES FOR SERVICE LEVELS – VEHICLE ACCOMMODATION

<b>Performance Measure for Services –Vehicle Accommodation</b>	<p>The Performance Measure for Service Levels is the availability of vehicle accommodation on any Vessel.</p> <p>This will be measured by reference to the percentage of VC which is not made available by the Operator for the provision of vehicle accommodation on any Sailing.</p> <p>A Vessel which does not meet the Performance Measure for Vehicle Accommodation for a Sailing as a result of that Sailing having been cancelled shall be deemed to have met the Performance Measure for Vehicle Accommodation in respect of the relevant Sailing.</p>
<b>Periods to be measured</b>	The Month commencing on the Commencement Date and each successive Month thereafter.
<b>Deductions to apply to VC Unavailability:</b>	
0 – 10% of VC Unavailable.	No Deduction (compliance).
11 – 50% of VC Unavailable.	Deduct 25% of the AGRS for each affected Sailing.
Over 50% of VC	Deduct 50% of the AGRS for each affected Sailing.

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Unavailable.	
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**SECTION F.2****PERFORMANCE MEASURES FOR SERVICE LEVELS – CALL CENTRE**

<p><b>Performance Measure for Services – Call Centre</b></p>	<p>The Performance Measure for Service is the answering of all calls personally by an employee of the Operator between the hours of 8am and 8pm Monday to Saturday (inclusive) and 9am and 7pm on Sundays and public holidays.</p> <p>Average call waiting time will be calculated by aggregating the caller waiting time for every call offered to the Operator and dividing that total by the total number of calls offered. All calls, including those abandoned by the caller before being answered by the Operator, shall be included in the calculation of average call waiting time, such calls to be deemed to have been answered by the Operator at the time of abandonment.</p> <p>The deductions to be applied in respect of the Performance Measure for Service Levels – Call Centre in the first Service Year are set out below. The Deduction to be applied in later Service Years shall be the Deduction applicable to the previous Service Year Index Linked.</p> <p>Deductions shall not be made in the event of:</p> <ul style="list-style-type: none"> <li>• failure by British Telecom or the relevant supplier of telephone lines to the Operator at the time to provide the relevant service to the normal required standard or capacity for reasons beyond</li> </ul>
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		<p>the Operator's control;</p> <ul style="list-style-type: none"> <li>• emergency or other operational requirement, requiring re-deployment of Call Centre staff;</li> <li>• failure of the Operator's information technology system as a result of action by a third party over whom the Operator has no control; or</li> <li>• increase in call volume caused by any person or group of people making hoax or malicious calls or using the service provided by the call centre other than in good faith.</li> </ul>
<b>Periods to be measured</b>		The Month commencing on the Commencement Date and each successive Month thereafter.
<b>Classification of service levels over period:</b>		<b>Deduction to apply to classification:</b>
<b>1</b>	Average call waiting time of less than 30 seconds.	No Deduction (compliance)
<b>2</b>	Greater than 30 seconds but less than or equal to 40 seconds.	£500
<b>3</b>	Greater than 40 seconds but less than or equal to 50 seconds.	£1,000
<b>4</b>	Greater than 50 seconds but less than or equal to 60 seconds	£1,500

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<b>5</b>	Greater than 60 seconds but less than or equal to 70 seconds	£2,000
<b>6</b>	Greater than 70 seconds but less than or equal to 80 seconds	£2,500
<b>7</b>	Greater than 80 seconds but less than or equal to 90 seconds.	£3,000
<b>8</b>	Greater than 90 seconds but less than or equal to 100 seconds.	£3,500
<b>9</b>	Greater than 100 seconds but less than or equal to 110 seconds	£4,000
<b>10</b>	Greater than 110 seconds but less than or equal to 120 seconds.	£4,500
<b>11</b>	Greater than 120 seconds	£5,000

### SECTION F.3

#### PERFORMANCE MEASURES FOR SERVICE LEVELS – PORTSIDE SERVICES

<b>Performance Measure for</b>	The Operator shall meet the Performance Measure for Port Services if it provides the Port Services at all applicable times.
<b>Periods to be measured</b>	The Month commencing on the Commencement Date and each successive

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	Month thereafter.
<b>Classification of service levels over period:</b>	<b>Deduction to apply to classification:</b>
<b>1</b> Failure to provide any one Port Service at any of the Ports.	£310 for each incidence of non-performance.
<b>2</b> Failure to provide between 2 and 4 Port Services at any of the Ports.	£620 for each incidence of non-performance.
<b>3</b> Failure to provide between 5 and 7 Port Services at any of the Ports.	£930 for each incidence of non-performance.
<b>4</b> Failure to provide more than 8 Port Services at any of the Ports.	£1250 for each incidence of non-performance.

## SECTION G

### PERFORMANCE MEASURE FOR REPORTING:

<b>Performance Measure for Reporting</b>	The Operator meets the Performance Measure for Reporting if it submits the Monthly/Quarterly reports required under Schedule 15 within 6 weeks after the end of the relevant Month/Quarter.
<b>Periods to be measured</b>	Quarterly
<b>Classification of punctuality over period:</b>	<b>Deduction to apply to classification:</b>
<b>1</b> Failure to submit any of the reports required in accordance with Schedule 15 within 6 weeks after the end of the relevant Month/Quarter.	Deduct 1% of the following Monthly Instalment.

**SECTION H****PERFORMANCE MEASURES FOR SERVICE LEVELS – CUSTOMER COMPLAINTS**

<p><b>Performance Measure for Services – Customer Complaints</b></p>	<p>The Performance Measure for Service Levels is the quantity of customer complaints received in relation to the Services which, in the opinion of the Scottish Ministers, have not be managed in good faith in accordance with the Customer Complaint Process prior to submission to the Appeals process.</p> <p>Where more than one complaint arises out of a single act or omission by the Operator in relation to the Services, those complaints will be treated as one complaint for the purposes of this Performance Measure for Service Levels.</p> <p>Complaints measured under this Performance Measure will be limited to any complaint which the Scottish Ministers deems to be a valid complaint received by the Operator in the period up to the end of the Quarter following the Quarter in which the incident giving rise to the complaint occurred.</p> <p>For the avoidance of doubt, where a complaint directly relates to an incident in relation to which deductions have been applied pursuant to Sections A, B, C and/or D of this Schedule 15, Part 2, the complaint will be disregarded for the purposes of this Performance Measure for Service Levels.</p>
<p><b>Periods to be measured</b></p>	<p>Quarterly</p>
<p><b>Classification of service levels over period:</b></p>	<p><b>Deduction to apply to classification:</b></p>
<p><b>1</b> All valid complaints managed in</p>	<p>No Deduction (compliance).</p>

	good faith in accordance with the Customer Complaints Process prior to submission to the Review process	
<b>2</b>	1 valid complaints failing to be managed in good faith in accordance with the Customer Complaints Process prior to submission to the Appeals process	Deduct 0.1% of the following Monthly Instalment.
<b>3</b>	2 or 3 valid complaints failing to be managed in good faith in accordance with the Customer Complaints Process prior to submission to the Appeals process	Deduct 0.3% of the following Monthly Instalment per complaint.
<b>4</b>	3 or more valid complaints failing to be managed in good faith in accordance with the Customer Complaints Process prior to submission to the Appeals process	Deduct 0.5% of the following Monthly Instalment per complaint.

**SECTION I****PERFORMANCE MEASURE FOR FAILURE TO MEET SCHEDULE REQUIREMENTS:**

<b>Performance Measure for Meeting the requirements of the Schedules</b>	The Operator meets the Performance Measure if it meets the requirements in the Schedules or is expediently implementing or has implemented the requirements of a Cure Plan
<b>Periods to be measured</b>	Monthly
<b>Classification of compliance over period:</b>	<b>Deduction to apply to classification:</b>
<b>1</b> Failure to meet the	A proportion of the percentages below of the Operator's

requirements of each Schedule	<p>Return in relation to each schedule where there has been a clear breach or shortfall of the requirements, which proportion shall be set by the Scottish Ministers' Representative following consultation with the Operator's Representative and having regard to the proportionality of any breach or shortfall , subject to an upper limit in aggregate of 50% of the Operator's Return and Varied Reward.</p> <table border="1" data-bbox="651 645 1442 1245"> <thead> <tr> <th data-bbox="651 645 1134 719"><b>Schedule</b></th> <th data-bbox="1137 645 1442 719"><b>Percentage of Operators Return</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="651 723 1134 757">Services (Schedule 3)</td> <td data-bbox="1137 723 1442 757">13</td> </tr> <tr> <td data-bbox="651 761 1134 795">Vessels and Ports (Schedule 5)</td> <td data-bbox="1137 761 1442 795">6</td> </tr> <tr> <td data-bbox="651 799 1134 833">Mobilisation Plan (Schedule 6)</td> <td data-bbox="1137 799 1442 833">6</td> </tr> <tr> <td data-bbox="651 837 1134 871">Marketing Plan (Schedule 7)</td> <td data-bbox="1137 837 1442 871">13</td> </tr> <tr> <td data-bbox="651 875 1134 949">Health and Safety Plan (Schedule 8)</td> <td data-bbox="1137 875 1442 949">6</td> </tr> <tr> <td data-bbox="651 954 1134 1028">Environmental Management Plan (Schedule 9)</td> <td data-bbox="1137 954 1442 1028">6</td> </tr> <tr> <td data-bbox="651 1032 1134 1106">Customer Care and Accessibly Process (Schedule 10)</td> <td data-bbox="1137 1032 1442 1106">6</td> </tr> <tr> <td data-bbox="651 1111 1134 1184">Human Resources and Key Personnel (Schedule 11)</td> <td data-bbox="1137 1111 1442 1184">17</td> </tr> <tr> <td data-bbox="651 1189 1134 1245">Operational management (Schedule 14)</td> <td data-bbox="1137 1189 1442 1245">25</td> </tr> </tbody> </table>	<b>Schedule</b>	<b>Percentage of Operators Return</b>	Services (Schedule 3)	13	Vessels and Ports (Schedule 5)	6	Mobilisation Plan (Schedule 6)	6	Marketing Plan (Schedule 7)	13	Health and Safety Plan (Schedule 8)	6	Environmental Management Plan (Schedule 9)	6	Customer Care and Accessibly Process (Schedule 10)	6	Human Resources and Key Personnel (Schedule 11)	17	Operational management (Schedule 14)	25
<b>Schedule</b>	<b>Percentage of Operators Return</b>																				
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Human Resources and Key Personnel (Schedule 11)	17																				
Operational management (Schedule 14)	25																				

**SCHEDULE 15 – PERFORMANCE REGIME****PART 3: RELIEF EVENTS****1 Relief event situations**

1.1 The cancellation of any sailing or the late arrival or departure of any sailing if the cause of the cancellation or Lateness (as that expression is used in this Schedule 15) is attributable to:

1.1.1 adverse weather;

1.1.2 tidal conditions;

1.1.3 volume of traffic on any sailing being greater than 70% of the passenger or the vehicle capacity of the relevant Vessel; or

1.1.4 any other safety factor (but not the non-attendance of suitably qualified and experienced staff) outwith the Operator's control which would in the Master's opinion have made the sailing or arrival in accordance with the Published Timetable unsafe or impractical;

and where, without prejudicing the provision of that lifeline service taken as a whole, such cancellation or Lateness (or the effects thereof) could not have been avoided or mitigated or the Lateness reduced by the exercise of due diligence by the Operator. For the purposes of paragraph c) above the passenger capacity shall be determined by the Passenger Safety Certificate and the vehicle capacity shall be the number of car spaces advertised.

1.2 The late departure/arrival of any sailing as a result of:

1.2.1 a departure being held back to await the arrival of a late running scheduled public transport service intended to connect with that sailing; or

1.2.2 the knock on effect of an earlier late arrival where the Lateness is (i) not greater than the Lateness of the earlier service; and (ii) taking that lifeline service as a whole, the Lateness could not have been avoided or mitigated by the exercise of due diligence by the Operator.

1.3 The unscheduled Unavailability of any of the Vessels unless such Unavailability results from the failure of the Operator to comply with its obligations under this Agreement or could have been avoided or mitigated by



the exercise of due diligence provided that the Operator has used all reasonable endeavours to obtain a substitute vessel.

- 1.4 The unavoidable substitution of a vessel of lower specification in the place of any of the Vessels during any period of Scheduled Maintenance including during periods of Scheduled Maintenance lasting less than 72 hours.
- 1.5 Non-availability of, or operational restrictions at, any of the Ports for any reason outwith the Operator's reasonable control including because any facilities at the Ports are being used by vessels other than the Vessels.
- 1.6 Fuel shortages outwith the Operator's reasonable control.
- 1.7 Terrorism, piracy or hijacking.
- 1.8 The occurrence of a Non Contributory Emergency in which a Vessel is or becomes involved.
- 1.9 A delay in a sailing, or the cancellation of any sailing, caused or necessitated by any actions of the emergency services or the British armed forces.
- 1.10 Inoperability unless such Inoperability results from the failure of the Operator to comply with its obligations under this Contract or could have been avoided or mitigated by the exercise of due diligence.
- 1.11 Lifeline Service Relief as defined in Schedule 15 part 2.
- 1.12 The non-availability of Transferring Assets at or, if required, before the Commencement Date: and/or
- 1.13 Any act or omission of the Scottish Ministers in breach of the Contract which causes or materially contributes towards the Operator failing to comply with the Performance Regime.

## 2 Reporting Relief events

- 2.1 Reporting of relief events shall be undertaken using the following scheme of codes:

Cause code	Cause description	Qualifying relief event
0	NO DELAY	yes
1	SOLAS DECISION	yes
2	BRIDGE INDUCTION	yes
5	ADVERSE WEATHER	yes

6	VERY HIGH TIDE	yes
7	VERY LOW TIDE	yes
8	BUNKERING ISSUES	no
9	BALLAST OPERATIONS	no
10	MECHANICAL PROBLEMS (SHIP)	no
11	MECHANICAL PROBLEMS (SHORE)	no
12	PIER WORK (Operator or under HOA)	no
13	PIER WORK (EXTERNAL)	yes
14	BROKEN DOWN VEHICLE	yes
15	VOLUME OF TRAFFIC	<b>&lt;70% no &gt;=70% yes</b>
16	CLEARING BACKLOG OF TRAFFIC	yes
17	UNUSUAL LOADING REQUIREMENTS	yes
18	CHARTERED SAILING	yes
19	LIVESTOCK SAILING	yes
20	LATE BUS	yes
21	LATE TRAIN	yes
22	LATE CAR TRAFFIC	yes
23	LATE COMMERCIAL TRAFFIC	yes
24	LATE COACH TRAFFIC	yes
25	LATE FOOT PASSENGER TRAFFIC	yes
26	LATE CONNECTING FERRY	yes
27	LATE FREIGHT	yes
28	LATE LIVESTOCK	yes
30	TIME ON PASSAGE	no
31	NAVIGATIONAL ISSUES	yes
32	DRILLS ON PASSAGE	yes
33	BEREAVEMENT ISSUES	yes
35	SHIP OUT OF POSITION	yes
36	VESSEL CHANGEOVER	no
37	SUBSTITUTE VESSEL (ANNUAL O/HAUL)	yes
38	SUBSTITUTE VESSEL (OTHER REASON)	no
40	INDUSTRIAL DISPUTE (Operator)	no
41	INDUSTRIAL DISPUTE (EXTERNAL)	yes

42	EMERGENCY SAILING	yes
43	MEDICAL EMERGENCY	yes
44	BERTH NOT FREE (EXTERNAL)	yes
45	BERTH NOT FREE (Operator)	no
46	SHIP INVOLVED IN EMERGENCY	yes
47	ACTIONS OF BLUE LIGHT SERVICES	yes
48	HAZARDOUS GOODS SAILING	yes
50	KNOCK-ON DELAY FROM PREV SAIL	yes
51	KNOCK-ON DELAY FROM EXTRA SAIL	yes
55	EXTRA SAILING FOR PREV. DISRUPTION	yes
60	NO CALL REQUIRED	yes
65	TERRORISM OR HIJACKING	yes
66	FORCE MAJEURE EVENT	yes
71	MECHANICAL PROBLEMS (SHIP)	yes
72	MECHANICAL PROBLEMS (SHORE)	yes
73	BUNKERING ISSUES	yes
74	VESSEL CHANGEOVER	yes
75	SCOT MINISTERS APPROVED	yes
76	SUBSTITUTE VESSEL (OTHER REASON)	yes
77	BERTH NOT FREE (Operator)	yes
78	AFFECTED BY PREVIOUS SAILING	yes
79	VESSEL REDEPLOYED	yes
99	ALL OTHERS	no

Advice on the use of these categories is outlined below:

0	No Delay
1	SOLAS decision. This is any decision by the vessel Master in the interest of protecting safety of life at sea. (*)
2	Bridge Induction. Any officer, when new to any particular vessel will require induction in bringing the vessel alongside. This will require due care and as a result take extra time. This code should be used as a cause of this extra time taken. It should only be used during the induction period on that vessel or during

	circumstances not encountered by that officer on that vessel. The officer's name should be noted on the Performance Return. (*)
5	Adverse weather. Used when the delay is directly cause by weather (ranges from high winds to fog). This also covers adverse tidal conditions. Use where the vessel's Master considers that sailing would compromise operational safety, or where these factors cause late arrival or departure.
6	Very High Tide. Use when this causes a delay in berthing.
7	Very Low Tide. As above.
8	Bunkering Issues. To be used if bunkering causes a delay. Details of why should be included. E.g. tanker delayed or slower pump. (*)
9	Ballast Operations. There may be occasion when shifting of ballast causes delay. This can be easily monitored when this cause is used. (*)
10	Mechanical Problems (ship). E.g. ramp failure. (*)
11	Mechanical Problems (shore). E.g. passenger gangway breakdown. Detail whether it is a company owned pier. (*)
12	Pier Work (Operator or under HOA). Use for work carried out at Operator piers. (*)
13	Pier Work (external) Use for work carried out at non-Operator piers. (*)
14	Broken Down Vehicle. This is any non-Operator vehicle breakdown be it on board or on a link-span when it causes delay in loading/unloading the vessel.
15	Volume of Traffic. Use during very busy periods when large loads are causing delay. Do <b>not</b> use a cause for additional sailings. If traffic is left behind and an additional sailing is required, cause code 16 should be used.
16	Clearing Backlog of Traffic. Use for delay code 20 "Additional Sailing" when extra siling is being used to clear traffic left from a previous sailing. See above.
17	Unusual Loading Requirements. Use for delays caused by extra wide or long loads. (*)
18	Chartered Sailing. Only to be used as a cause for an additional sailing where the sailing has been chartered. Details should be

	provided. (*)
19	Livestock Sailing. Only to be used as a cause for an additional sailing where the sailing carries livestock.
20	Late Bus. Use for late connection service buses.
21	Late Train. Use for late connecting trains.
30	Time on Passage. No longer used. Historically used when vessel takes longer during the crossing due to operational requirements. It has been removed from the list.
31	Navigational Issues. 'Preciously river traffic'. Use for delay caused by manoeuvring for other vessels.
32	Drills on Passage. Use when delay is cause by any necessary drill, carried out during passage. Brief detail should be given of the drill. E.g. launching of FRC, emergency steering frill etc. (*)
33	Bereavement Issues. This cause code should be used for scattering of ashes, transfer of remains or any other funeral arrangements. (*)
35	Ship out of Position. Used when a vessel is delayed because it is out of position, most commonly when it has sought shelter in a different harbour due to weather or has provided an extra sailing and needs to get back to the correct port.
36	Vessel Changeover. Most common on Upper Clyde vessels with weekly rotations and when vessels go to different routes to cover annual overhauls
37	Substitute Vessel (Annual Overhaul). Use when a vessel of lower specification is used during scheduled periods of planned maintenance (e.g. annual overhauls). This does not cover vessel breakdown or unscheduled maintenance other than where it is out with the Operator's control.
38	Substitute Vessel (Other Reason). Use when 37 is not appropriate. i.e. when substitute vessel of lower specification is used during periods of unscheduled maintenance. (*)
40	Industrial Dispute (Operator). Any delays or cancellations caused by strike action within the company.
41	Industrial Dispute (External). Any delays or cancellations caused by strike action by other companies.
42	Emergency Sailing. This should be used in conjunction with delay code 20 "additional sailing". Use when the additional

	sailing is put on for any of the blue light services. (*)
43	Medical Emergency. Use for any medical emergency on board. (This category has a very wide range). (*)
44	Berth Not Free (External). Another operator's vessel may be in the berth.
45	Berth Not Free (Operator). Use when a Vessel is in the berth.
46	Ship Involved in Emergency. This covers any emergency at sea, not caused by the ship i.e. out with the operator's control. (E.g. going to the aid of a stricken vessel). (*)
47	Actions of Blue Light Services. Any delay involving the blue light services. (E.g. awaiting the arrival of an ambulance). This cause should <b>not</b> be used for additional emergency sailings. In such cases cause code 42 should be used. (*)
48	Hazardous Goods Sailing. Use for additional or delayed sailings. Do not <b>use</b> if there is no delay in arrival.
50	Knock-on Delay from Previous Sailing. Only to be used if the sailing is not further late than the previous sailing. If the sailing is further late in arrival then the cause of the extra delay should be recorded. Knock-on delay should never be used for a vessel's first departure in any day. (This is especially important when a vessel sails overnight. i.e. if the next sailing is late a new cause should be used).
51	Knock-on Delay from Additional Sailing. As above yet after an additional sailing. This especially applies to routes where more than one vessel is operating and the vessel making an additional sailing causes a delay to the vessel making the scheduled sailing.
55	Extra Sailing for Previous Disruption. Additional sailings may be provided in remote areas when a previous sailing was cancelled. (E.g. due to adverse weather). In such cases this cause should be used in conjunction with cause code 51 above for subsequent delays. (*)
65	Terrorism or Hijacking.
66	Force Majeure Event
71	Mechanical Problems (ship). E.g. ramp failure. (*)
72	Mechanical Problems (shore). E.g. passenger gangway breakdown. Detail whether it is a company owned pier. (*)

73	Bunkering Issues. To be used if bunkering causes a delay. Details of why should be included. E.g. tanker delayed or slower pump. (*)
74	Vessel Changeover. Most common on Upper Clyde vessels with weekly rotation and when vessels go to different routes to cover annual overhauls.
75	Scot Gov Approved
76	Substitute Vessel (Other Reason). Use when 37 is not appropriate. i.e. when substitute vessel of lower specification is used during periods of unscheduled maintenance. (*)
77	Berth Not Free (Operator). Use when an Operator vessel is in the berth.
78	Affected by Precious Sailing
79	Vessel Redeployed
99	All Others. This cause code must only be used when there are no other appropriate codes. If code 99 is used a brief e-mail should be sent to the Performance manger detailing the unique circumstances of the delay.

Code Nos. 71-79 are for use of Performance Monitoring only and are applied to sailing that are excused deductions under the agreed Performance Regime.

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 15

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
Schedule 16

## SCHEDULE 16 - VARIATION TO SERVICES

This and the following page comprise Schedule 16 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

### Contract Variation Form

This Contract Variation is entered into under and incorporates the provisions set out in the Contract between The Scottish Ministers and Calmac Ferries Ltd dated [ ].

The Contract Variation anticipated by this Contract Variation Form will commence on [ ] and expire (unless terminated earlier in accordance with the Contract) on [ ].

Title of Contract Variation

Originator

Date

Telephone

#### PART 1

##### DESCRIPTION OF CONTRACT CHANGE:

The Contract shall incorporate the following Contract Variation :

**[A Description of the Contract Variation should be inserted here]**

##### INTENDED PURPOSE OF THE CONTRACT CHANGE:

The Operator and the Scottish Ministers jointly intend that the purpose of the Contract Variation will be:

**[A description of what it is intended that the provision of the Contract Variation will accomplish should be inserted here]**

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Clyde and Hebrides Ferry Services  
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**COST VARIATIONS:**

In respect of the Contract Variation defined above, the Grant which the Scottish Ministers will pay to the Operator will be amended as follows:

**[All changes to the Grant payable by the Scottish Ministers and the duration of those changes in respect of the Contract Variation should be inserted here]**

**MILESTONE DATES:**

**[The Parties should identify here any Milestone Dates (if any) in respect of the implementation of the Contract Variation]**

**SIGNED on behalf of the Scottish Ministers**

**SIGNED BY on behalf of Calmac Ferries Ltd**

Name:

Name:

Title:

Title:

Signature:

Signature:

Date:

Date:

***THIS CONTRACT VARIATION FORM WILL NOT BE VALID UNLESS SIGNED ON BEHALF OF THE SCOTTISH MINISTERS***

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 16

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Executed Contract 22.08.16

Clyde and Hebrides Ferry Services  
Contract for Provision of Ferry Services  
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**SCHEDULE 17 – BENCHMARKING**

This and the following pages 1003- 1007 comprise Schedule 17 to the foregoing Contract between the Scottish Ministers and Calmac Ferries Ltd.

**1. FREQUENCY OF BENCHMARK REVIEW**

- 1.1 The Scottish Ministers may, by written notice to the Operator, require a Benchmark Review of any or all of the Services.
- 1.2 The Scottish Ministers shall require a Benchmark review of all of the Services during third Service Year.
- 1.3 The Scottish Ministers will not be entitled to carry out a Benchmark Review during the first 2 year period from the Commencement Date, nor at intervals of less than 12 months after any previous Benchmark Review. The Scottish Ministers will not request more than 2 Benchmark Reviews of all the Services.

**2. PURPOSE AND SCOPE OF BENCHMARK REVIEW**

- 2.1 The purpose of a Benchmark Review will be to establish whether a Benchmarked Service is and/or the Benchmarked Services as a whole are, Good Value.
- 2.2 The scope of the Benchmarked Services will be identified by the Scottish Ministers in the written request given under paragraph 1.

**3. APPOINTMENT OF BENCHMARKER**

- 3.1 The Employer must appoint the Benchmarker to carry out the Benchmark Review.
- 3.2 The costs and expenses of the Benchmarker and the Benchmark Review will be met by the Scottish Ministers. However, each Party must bear its own internal costs of the Benchmark Review.

**4. BENCHMARKING PROCESS**

- 4.1 The Scottish Ministers will require the Benchmarker to produce, and to send to each Party for approval, a draft plan for the Benchmark Review within 10

days after the date of the appointment of the Benchmarker, or such longer period as the Benchmarker may reasonably request in all the circumstances.

The plan must include:

- 4.1.1 a proposed timetable for the Benchmark Review;
  - 4.1.2 a description of the information that the Benchmarker requires each Party to provide;
  - 4.1.3 a description of the benchmarking methodology to be used;
  - 4.1.4 a description that demonstrates objectively and transparently that the benchmarking methodology to be used is capable of fulfilling the benchmarking objectives;
  - 4.1.5 an estimate of the resources required from each Party to underpin the delivery of the plan;
  - 4.1.6 a description of how the Benchmarker will scope and identify the Comparison Group; and
  - 4.1.7 details of any entities which the Benchmarker proposes to include within the Comparison Group.
- 4.2 Each Party must give notice in writing to the Benchmarker and to the other Party within 10 days after receiving the draft plan, advising whether it approves the draft plan, or, if it does not approve the draft plan, suggesting amendments to that plan. Neither Party will unreasonably withhold or delay its approval of the draft plan. Any suggested amendments must be reasonable.
- 4.3 Where a Party suggests amendments to the draft plan under paragraph 4.2, the Benchmarker must, if it believes the amendments are reasonable, produce an amended draft plan. Paragraph 4.2 will apply to any amended draft plan.
- 4.4 Failure by a Party to give notice under paragraph 4.2 will be treated as approval of the draft plan by that Party.

- 4.5 Once the plan is approved by both Parties, the Benchmarker will carry out the Benchmark Review in accordance with the plan. Each Party must procure that all the information described in the plan, together with any additional information reasonably required by the Benchmarker is provided to the Benchmarker without undue delay. If the Operator fails to provide any information requested from it by the Benchmarker and described in the plan such failure will constitute a material Default for the purposes of this Contract.
- 4.6 Each Party shall co-operate fully with the Benchmarker, including by providing access to records, technical documentation, premises, equipment, systems and personnel at all times reasonably requested by the Benchmarker, provided that the Benchmarker is instructed to minimise any disruption to the Services.
- 4.7 Either Party may provide additional material to the Benchmarker to assist the Benchmarker in conducting the Benchmark Review.
- 4.8 Once it has received the information it requires, the Benchmarker will:
- 4.8.1 finalise a sample of entities constituting the Comparison Group and collect data relating to Comparable Services. The selection of the Comparison Group (both in terms of number and identity of entities) and Comparable Services will be a matter for the Benchmarker's professional judgment using:
- 4.8.1.1 information from other service providers to the Scottish Ministers;
- 4.8.1.2 survey information;
- 4.8.1.3 market intelligence;
- 4.8.1.4 the Benchmarker's own data and experience;
- 4.8.1.5 relevant published information;
- 4.8.1.6 information from consultancies and/ or other vendors or purchasers of Comparable Services; and

- 4.8.1.7 information from 'in-house' providers to the Scottish Ministers to the extent that Benchmarker considers that they are valid comparators;
- 4.8.2 by applying the adjustment factors listed in paragraph 4.9 and from an analysis of the Comparable Services derive the Equivalent Services Data;
- 4.8.3 using the Equivalent Services Data calculate the Average Price;
- 4.8.4 compare the Operating Costs attributable to the Benchmarked Services (having regard in particular to the Performance Measures and Performance Deductions regime) with the Average Price using the Equivalent Services Data; and
- 4.8.5 determine whether or not each Benchmarked Service is and/or the Benchmarked Services as a whole are Good Value.
- 4.9 In carrying out the benchmarking analysis the Benchmarker will have regard to the following matters when performing a comparative assessment of the Benchmarked Services and the Comparable Services in order to derive Equivalent Services Data:
- 4.9.1 the contractual and business environment under which the Services are being provided (including the scope, scale, complexity and geographical spread of the Services);
- 4.9.2 any front-end investment and development costs of the Operator;
- 4.9.3 the Operator's risk profile including the financial, performance or liability risks associated with the provision of the Services as a whole;
- 4.9.4 the extent of the Operator's management and contract governance responsibilities; and
- 4.9.5 any other factors reasonably identified by the Operator, which, if not taken into consideration, could unfairly cause the Operator's pricing to appear non-competitive (such as erroneous costing or over-aggressive pricing).



**5. BENCHMARKER'S REPORT**

- 5.1 The Benchmarker will be required to prepare a Benchmark report and deliver it simultaneously to the parties, at the time specified in the plan approved under paragraph 4 of this schedule, setting out its findings. Those findings will be required to:
- 5.1.1 include a finding as to whether or not each Benchmarked Service is and/or whether the Benchmarked Services as a whole are, Good Value;
  - 5.1.2 include other findings (if any) regarding the quality and competitiveness or otherwise of those Services; and
  - 5.1.3 if any Benchmarked Service is not Good Value, or the Benchmarked Services as a whole are not Good Value, specify the changes that would be required to the Operating Costs to make that Benchmarked Service or those Benchmarked Services as a whole Good Value.
- 5.2 The Benchmarker will act as an expert and not as an arbitrator.
- 5.3 For the avoidance of doubt, Benchmark Reviews will not result in any increase to the Operating Costs or any decrease in the performance of any Services or Performance Measures.
- 5.4 If the Benchmark report states that any Benchmarked Service is not Good Value, or that the Benchmarked Services as a whole are not Good Value then the Operator must (subject to paragraphs 5.6 and 5.7) treat the changes set out in the Benchmark report as a deemed Cure Plan and implement them as soon as reasonably practicable within a timescale agreed with the Scottish Ministers but in any event within no more than one month.
- 5.5 Subject to the Operator's right to dispute or reject the Benchmark report under paragraphs 5.6 or 5.7 of this schedule, if the Benchmark report determines that any or all of the Benchmarked Services are not Good Value, any failure by the Operator to reduce the Operating Costs in accordance with such timescales agreed between the parties under paragraph 5.4 of this schedule will, without prejudice to any other rights or remedies of the Scottish Ministers, constitute an Event of Default for the purposes of this Contract.

- 5.6 The Operator is entitled to reject a Benchmark report if the Operator reasonably considers that the Benchmarking has not followed the procedure for the related Benchmark Review as set out in this schedule in any material respect.
- 5.7 The Operator will not be obliged to implement any Benchmark report to the extent this would cause the Operator to provide the Services at a loss, or to the extent the Operator cannot technically implement the recommended changes.
- 5.8 In the event of a dispute or rejection of the Benchmark report under paragraphs 5.6 and/or 5.7 of this schedule the matter will be settled in accordance with Clause 51 (Dispute Resolution Procedures) of the Contract. For the avoidance of doubt in the event of a dispute between the parties, the Operator must reduce the Grant in accordance with the Benchmark report and paragraph 5.4 (where applicable) pending the dispute resolution process.
- 5.9 On conclusion of the dispute resolution process, if it is determined that all or any part of the Benchmark report recommendations regarding any reduction in the Grant will not continue to be implemented by the Operator, the Scottish Ministers must repay to the Operator within 30 days the difference between the revised Grant paid by the Scottish Ministers up to and including the date of the settlement of the dispute and the date upon which the recommended reduction in Grant took effect.

Signed for and on behalf of the Scottish Ministers

Signed for and on behalf of Calmac Ferries Ltd

Signature.....

Signature.....