

**CLYDE AND HEBRIDES FERRY SERVICES  
GRANT AGREEMENT**

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**THE SCOTTISH MINISTERS**  
and  
**CALMAC FERRIES LIMITED**

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## GRANT AGREEMENT

### BETWEEN:

- (1) **THE SCOTTISH MINISTERS**, Victoria Quay, Edinburgh, EH6 6QQ acting through their executive agency Transport Scotland, Ferries Directorate, 177 Bothwell St, Glasgow, G2 7ER or such other agency, department or other organisational unit of the Scottish Government as they may from time to time nominate (including all respective assignees and successors) (who and whose successors are referred to as the **Scottish Ministers**);  
and
- (2) **CALMAC FERRIES LIMITED** incorporated in Scotland (Company No SC 302282) and having its registered office at Ferry Terminal, Gourock, PA19 1QP (who and whose permitted assignees are referred to as **CFL**).

### WHEREAS

- (A) The existing contract for the provision of ferry services in the Clyde and Hebrides was entered into between the Scottish Ministers and CFL on 22 August 2016 (**CHFS2 Contract**) and is due to expire on 30 September 2025.
- (B) The Scottish Ministers, acting through their agency Transport Scotland, have been considering options for continued service provision after the expiry of the CHFS2 Contract.
- (C) The Minister for Transport announced to the Scottish Parliament on 16 November 2023 that, following expiry of the CHFS2 Contract, ferry services in and around the Clyde and Hebrides would be provided via a direct award of a contract by the Scottish Ministers to CFL in reliance on the exemption in Regulation 13 of the Public Contracts (Scotland) Regulations 2015.
- (D) This Agreement is entered into pursuant to the announcement referred to in Recital C and in conjunction with the Grant In Aid Letter (as hereinafter defined).

### 1. DEFINITIONS

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

**Affiliate** means, in relation to any body corporate, any other entity which directly or indirectly Controls, is Controlled by, or is under direct or indirect common Control with, that body corporate from time to time, save that CFL shall not be construed to be an Affiliate of the Scottish Ministers for the purposes of this Agreement;

**Agreement** means this grant agreement between the Scottish Ministers and CFL and any agreement which replaces or supersedes it or any part of it, all as amended, supplemented or varied from time to time;

**Annual Budget** means the annual budget to be provided by or on behalf of CFL pursuant *inter alia* to the GIA Letter;

**Applicable Law** means regulation, Legislation, practice or concession or official directive, ruling, request, notice, guideline, statement of policy or practice by any relevant legislative

authority, governmental, local, international, national or other competent authority or agency, whether or not having the force of law, in respect of which compliance by ship owners and operators is generally customary;

**Asset Register** means the assets list to be developed in accordance with Schedule Part 3 Part D (*Vessels and Ports - Asset Register*);

**Assets** means any assets owned by CFL and/ or the Scottish Ministers and used in connection with the Services;

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

**Associated Lifeline Services** mean the associated lifeline services referred to in Schedule Part 3 (*Vessels and Ports*) and forming part of the Unscheduled Ferry Services;

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

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

**CFL's Representative** means the suitably qualified and competent individual nominated by CFL to be the main point of contact with the Scottish Ministers during the Grant Period and in accordance with paragraph 5.6 of Schedule Part 9 (*Human Resources and Core Personnel*);

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

**CHFS** means the Clyde and Hebrides Ferry Services;

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

**Commencement Date** has the meaning given to it in Clause 3.1 (*Grant Period*);

**Consumer Prices Index** or **CPI** means the Consumer Prices Index as published from time to time by the Office of National Statistics or such index as replaces the same;

**Control** means the possession by person, directly or indirectly, of the power to direct or cause the direction of the management and policies of the other person (whether through the ownership of voting shares, by contract or otherwise) and “**Controls**” and “**Controlled**” shall be interpreted accordingly;

**Controller** has the meaning given in the Data Protection Act 2018;

**Core Personnel** means those of CFL's employees as are identified as such in accordance with Schedule Part 9 (*Human Resources and Core Personnel*);

**Cure Notice** has the meaning given to it in Clause 28 (*Cure*);

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

**Customer Care and Accessibility Process** will be construed in accordance with Schedule Part 7 (*Customer Service and Accessibility*);

**Data Protection Law** means any applicable law relating to data protection and the processing of personal data from time to time under this Agreement, including:

- (a) the Data Protection Act 2018;
- (b) the UK GDPR; and
- (c) any law, statute, declaration, decree, directive, legislative enactment, order, ordinance, regulation, rule or other binding restriction (as amended, consolidated or re-enacted from time to time) which relates to the protection of individuals with regards to the processing of personal data to which a party is subject;

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

**Dispute Resolution Procedure** will be construed in accordance with Clause 26 (*Dispute Resolution Procedure*);

**EIRs** means the Environmental Information (Scotland) Regulations 2004;

**Eligible Employee** means any employee of CFL or any Associated Company or subcontractor who is wholly or mainly assigned to the provision of the Services or any part of the Services;

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

**Employment Regulations** means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (SI 2006/246);

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

**Event of Default** means the occurrence of any of the events set out in Clause 27.1 (*Events of Default*);

**Existing Employee** means any employee of CFL or any of its Associated Companies engaged in, or wholly or mainly assigned to, the provision of the Services or any part of the Services to whom the Employment Regulations will apply on or immediately prior to the Commencement Date;

**Expiry Date** means 30 September 2035 or such other date as may be notified by the Scottish Ministers pursuant to Clause 3.3 (*Grant Period*) and **Expiry** will be construed accordingly;

**Final Staff List** has the meaning given to it in paragraph 1.1.6 of Schedule Part 14 (*TUPE*);

**Financial Distress Event** means:

- a) there being a public investigation into improper financial accounting and reporting, suspected fraud or any other impropriety of CFL;
- b) CFL committing a material breach of covenants to its lenders;
- c) a subcontractor notifying the Scottish Ministers that CFL has not satisfied any material sums properly due under a specified invoice and which are not subject to a genuine dispute;
- d) commencement of any litigation against CFL with respect to financial indebtedness or obligation under a contract;
- e) non-payment by CFL of any financial indebtedness;
- f) any financial indebtedness of CFL becoming due as a result of an event of default; or
- g) the cancellation or suspension of any financial indebtedness in respect of CFL,

in each case which the Scottish Ministers believe could impact on the continued performance and delivery of the Services in accordance with this Agreement and/or the GIA Letter;

**Financial Year** means:

- a) in respect of the initial Financial Year, the period beginning on the Commencement Date and ending at 23:59 on the next occurrence of 31 March; and
- b) for each successive Financial Year, a period of twelve (12) months commencing on April 1 and ending on following March 31, provided always that the last Financial Year shall end on the Expiry Date or the Termination Date (as the case may be);

**Fleet Bareboat Charterparty** means the bareboat charter for the Fleet Vessels entered into between CMAL and CFL on or about the date hereof;

**Fleet Vessels** means the vessels listed in Table 8 in Part A of Schedule Part 3 (*Vessels and Ports*);

**FOISA** means the Freedom of Information (Scotland) Act 2002 (as amended or replaced by any successor legislation) and any subordinate legislation made under that Act from time to time, together with any guidance and/or codes of practice issued by the Scottish Information Commissioner (or any successor or replacement from time to time) in relation to such legislation;

**Force Majeure Event** means:

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

in each case occurring after the Commencement Date;

**Framework Agreement** means the framework agreement entered into by CFL and David MacBrayne Limited with the Scottish Ministers dated on or about the date hereof;

**Grant** means the grant in aid paid or to be paid by the Scottish Ministers in connection with the Services pursuant to the Grant In Aid Letter and this Agreement;

**Grant In Aid Letter** or **GIA Letter** means the offer for grant in aid issued by the Scottish Ministers and accepted and signed by CFL and dated on or about the date hereof;

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

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

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

**Harbour** means each and any of the harbours listed at Part C of Schedule Part 3 (*Vessels and Ports – Ports and Harbours*);

**Heraldic Device Agreement** means the agreement for the licence of the heraldic device entered into by CFL and CMAL on or about the date hereof;



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

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

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

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

**Insurances** means all policies of insurance taken out from time to time and in accordance with Schedule Part 12 (*Insurance*) in respect of any Vessel throughout the Grant Period together with all variations, modifications, extensions, or other alterations thereof;

**Intellectual Property Rights** means:

- a) copyright, rights related to or affording protection similar to copyright, rights in databases, patents and rights in inventions, semi-conductor topography rights, trade marks, rights in Internet domain names and website addresses and other rights in trade names, designs, know-how, trade secrets and other rights in Confidential Information;
- b) applications for registration, and the right to apply for registration, for any of the rights listed at (a) that are capable of being registered in any country or jurisdiction; and
- c) all other rights having equivalent or similar effect in any country or jurisdiction;

**Key Performance Indicators** or **KPIs** means all or any of the key performance indicators for the Services as set out in Schedule 11 (*Performance Review and Reporting – Initial KPI Framework*) and as may be updated from time to time by the Scottish Ministers;

**Legislation** means any Act of Parliament, including any local, personal or private Act of Parliament, any subordinate legislation (as that expression is defined in section 21(1) of the Interpretation Act 1978) and any exercise of the Royal Prerogative and any bylaws, statutory instruments, orders, notices, directions, codes of practice, consents or permissions properly and lawfully made or given under any of the foregoing (including, for the

avoidance of doubt, any legislation enacted by any Scottish Parliament or assembly or similar body and any subordinate or delegated legislation made by the Scottish Ministers or other person deriving authority from such legislation);

**Minor Changes** means a change which aligns with Service user and community needs and which results in no negative impact and is cost neutral;

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

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

**New Contract** means any arrangement or contract of whatsoever nature entered into by or on behalf of the Scottish Ministers in relation to the provision of public transport services by sea to all or some of the Clyde and Hebrides commencing subsequent to the expiry or termination of this Agreement or the removal of any part or parts of the Services from the scope of this Agreement pursuant to a Variation;

**Operational Management Systems** will be construed in accordance with Schedule Part 10 Part A (*Operational and Technology Management – Operational Management Systems*);

**Party** means either of the parties to this Agreement;

**Pension Schemes** means each of the CalMac Pension Fund, the Merchant Navy Officers Pension Fund, the Merchant Navy Officers Pension Plan and the Merchant Navy Ratings Pension Plan;

**Performance Regime** means the performance regime in respect of the Services, which forms Schedule Part 11 (*Performance Review and Reporting*);

**Personal Data** has the meaning given in section 3(2) of the Data Protection Act 2018;

**Plans** means all plans, strategies and assessments agreed or to be agreed with CFL in respect of the Services and shall include the Marketing Plan including the Supplements, the Health and Safety Plan, the Environmental Management Plan, the Customer Care and Accessibility Process, the Equalities Impact Assessment, and the Human Resources Strategy, all as set out and/or referred to in any Schedule Part, and as appropriate any Cure Plan;

**Port** has the meaning given to it in Part C of Schedule Part 3 (*Vessels and Ports – Ports and Harbours*);

**Principal Contracts** means:

- a) the Grant In Aid Letter;
- b) the Ship Charters,
- c) the Property and Equipment Licence,
- d) the Trade Mark Licence Agreement, and
- e) the Heraldic Device Agreement;

**Property and Equipment Licence** means the licence in respect of various property and equipment entered into between CFL and CMAL on or about the date hereof;

**Provisional Staff List** means a list prepared and updated by CFL and/or any Associated Company 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;

**Public Sector Contribution** means any contribution in connection with the Services (except the Grant) either in cash or in kind from any public sector body (including any government body, institution or fund of the European Union, local authority, statutory undertaking or other body wholly or substantially funded by public money);

**Published Tariff Scheme** means:

- a) for the 2025/26 Tariff Period, the fares set out on the CFL website; and
- b) for each subsequent Tariff Period, the fares for the 2025/26 Tariff Period as adjusted pursuant to Schedule Part 2 (*Fares*),

in each case as published by CFL pursuant to Schedule Part 2 (*Fares*);

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

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

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

**Scheduled Ferry Service** shall have the meaning given to it in Schedule Part 1 (*Services*);

**Scheduled Maintenance Programme** means the programme for scheduled maintenance of the Vessels, set out in Part C of Schedule Part 3 (*Vessels and Ports – Ports and Harbours*);

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

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

**Scottish Ministers' Representative** means the individual or individuals nominated from time to time by the Scottish Ministers to be the main point of contact with CFL during the Grant Period;

**Services** means the Scheduled Ferry Services and the Unscheduled Ferry Services and all other activities of (or required of) CFL and/or any of CFL's agents, employees, contractors and subcontractors in connection with the performance of this Agreement;

**Service Transfer** has the meaning given to it in paragraph 2.1 of Schedule Part 14 (*TUPE*);

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

**Ship Charters** means:

- a) the charterparties in respect of the Fleet Vessels entered into between CFL and CMAL pursuant to the Fleet Bareboat Charterparty on or about the date hereof;
- b) the Fleet Bareboat Charterparty; and
- c) any other charterparty entered into by CFL in connection with all or some of the Services;

**Staffing Information** means written information about each CFL (and Associated Company) employee, in such format as the Scottish Ministers may request, 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) Financial Years; details of any grievances raised by any of them in the preceding two (2) Financial Years; any Court or employment tribunal proceedings brought by any of them in the preceding two (2) Financial Years; any potential proceedings which CFL or its Associated Companies and their subcontractors reasonably consider 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;

**Summer Timetable** shall be construed in accordance with paragraph 1.6.8 of Schedule Part 1 (*Services*);

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

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

$$\frac{CPI\ Jc}{CPI\ Jp}$$

Where:

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

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

and cognate expressions will be construed accordingly

(e.g. for a Tariff Index Linking change to be applied from the start of the Summer Timetable period 2026 then the indices CPI Jc will be that for August 2025 and CPI Jp that for August 2024);

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

**Timetable** means the relevant timetable for the Services which as at the Commencement Date means the timetable referred to in Clause 7.2 (*Timetable*) and as the same may be updated from time to time in accordance with Clause 7 (*Timetable*) and Schedule Part 1 (*Services*);

**Trade Mark Licence Agreement** means the agreement for the licencing of various trade marks entered into between CFL and CMAL dated on or about the date hereof;

**Transfer Assistance Period** means the period from 12 months prior to the Expiry Date, or such earlier date on which CFL becomes aware that the provision of the Services is to cease in advance of the Expiry Date, until the Expiry Date or Termination Date as appropriate;

**Transferring Employees** means those employees of CFL (or any Associated Company or CFL'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;

**TS Accountable Officer** means the individual identified as such in accordance with the Framework Agreement;

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

**UK GDPR** means the terms of the General Data Protection Regulation (EU) 2016/679 as transposed into UK law as a consequence of the United Kingdom leaving the European Union;

**Urgent Variation** means a variation undertaken in the circumstances referred to in Clause 9.3 (*Variations to the Services*);

**Unscheduled Ferry Services** shall have the meaning given to it in Schedule Part 1 (*Services*);

**Variation** means any variation to the Services carried out pursuant to Clause 9 (*Variations to the Services*);

**Vessels** means the Fleet Vessels and such other vessel employed from time to time by CFL for the provision of all or any part of the Services as has been approved by the Scottish Ministers in accordance with Clause 5 (*Services*); and

**Winter Timetable** shall be construed in accordance with paragraph 1.6.8 of Schedule Part 1 (*Services*).

1.2 In this Agreement, except where the context otherwise requires:

- 1.2.1 all references to Clauses are references to Clauses of this Agreement;
- 1.2.2 all references to the Schedule is to the Schedule to this Agreement and all references to Parts and paragraphs are references to parts of and paragraphs contained in the Schedule;
- 1.2.3 words importing the singular include the plural and vice versa;
- 1.2.4 words indicating one gender include all genders;

- 1.2.5 any reference to any Applicable Law, enactment, order, regulation or other similar instrument will be construed as a reference to the enactment, order, regulation or instrument as from time to time amended, replaced, consolidated, extended or re-enacted;
- 1.2.6 all references to agreements, documents, or other instruments include a reference to that agreement, document or instrument as amended or supplemented from time to time or to any replacement or superseding agreement, document or instrument;
- 1.2.7 the headings to the Clauses are inserted for convenience only and shall not affect the interpretation of this Agreement;
- 1.2.8 the words “including”, “other”, “in particular”, “for example” and similar words shall not limit the generality of the preceding words and shall be construed as if they were immediately followed by the words “without limitation”;
- 1.2.9 the terms “Harbour” and “Port” are used interchangeably, any reference to “Harbour” shall be construed as “Port” and any reference to “Port” as “Harbour”;
- 1.2.10 reference to a “person” includes any individual, company, corporation, firm, partnership, joint venture, consortium, association, foundation, organisation, trust, government, state, statutory body or government department or agency of a state (in each case, whether or not having separate legal personality);
- 1.2.11 any notice, instruction, notification, direction, request, consent or approval contemplated herein will be made or given in writing;
- 1.2.12 “written” or “in writing” means hand written, type written, printed or electronically made, and resulting in a permanent record;
- 1.2.13 anything which may be done by the Scottish Ministers may be done by any person duly authorised by the Scottish Ministers for that purpose; and
- 1.2.14 if the CPI is rebased at any time in the period between the Commencement Date and the Expiry or termination of this Agreement, it shall nonetheless be determined as if such rebasing had not occurred. In the event of the abolition or a fundamental variation in the basis of the said Index (other than rebasing), the manner in which any sums referred to in this Agreement which are to be varied by reference to CPI are to be varied will be as agreed between the Scottish Ministers and CFL. In the event that such agreement has not been reached by the date on which the Grant next falls to be calculated (or re-calculated) using CPI the manner in which any sums referred to in this Agreement are to be varied must be determined in accordance with Clause 26 (*Dispute Resolution Procedure*).

## **2. CFL ACKNOWLEDGEMENT**

- 2.1 CFL acknowledges that, in the period immediately prior to the Commencement Date, it has been providing services similar to or the same as the Services and accordingly is fully aware of and sighted on the nature and extent of the risks and obligations assumed by it under this Agreement and the GIA Letter.

### **3. GRANT PERIOD**

- 3.1 This Agreement and the GIA Letter shall take effect and be binding upon each of the parties at 00.00 hours on 1 October 2025 (the **Commencement Date**).
- 3.2 Unless terminated earlier in accordance with Clause 29 (*Termination*), this Agreement and the GIA Letter shall continue until the Expiry Date provided always that the Scottish Ministers have the right to extend the Expiry Date from time to time, each time on not less than one (1) year's written notice to CFL.
- 3.3 The Scottish Ministers intend to carry out a review of the provision of ferry services in and around the Clyde and Hebrides in the period 2031-2034 *inter alia* in order to consider any extension to the Expiry Date and/or changes to all or any of the Services. CFL shall assist with that review as requested.

### **4. GENERAL OBLIGATIONS**

- 4.1 CFL shall perform its obligations under this Agreement and the GIA Letter in accordance with their terms and with that degree of skill, diligence, prudence and foresight which would be exercised by a skilled and experienced operator of ferry services.
- 4.2 Any obligation on the part of CFL to use all reasonable endeavours shall extend to consequent obligations to adequately plan and resource its activities, and to implement those plans and resources, with all due efficiency and economy.
- 4.3 CFL shall co-operate with the Scottish Ministers and act reasonably and in good faith in and about the performance of its obligations and the exercise of its rights pursuant to this Agreement in the interests of the passenger and the sustainable and economic and social development of Scotland through the provision of ferry services. In this regard, "**sustainable**" shall include the meaning of that term when applied in environmental, social and economic contexts.
- 4.4 With the exception of agreements entered into with the Scottish Ministers, CFL shall ensure that every contract or other arrangement or transaction to which it may become party in connection with this Agreement and the GIA Letter with any person is on bona fide arm's length terms.
- 4.5 CFL shall perform all of its obligations under the Principal Contracts and shall not exercise any right to terminate the same without giving Scottish Ministers 30 days' advance notice.

### **5. SERVICES**

- 5.1 CFL shall employ the Vessels to provide the Services in accordance with the Timetable from the Commencement Date and throughout the Grant Period.
- 5.2 CFL shall provide the Services in accordance with:
  - 5.2.1 Applicable Law including all Applicable Law relating to the Vessels, their registration, operation and maintenance, all vessel and crew safety requirements and all relevant health and safety requirements;

and, save where prevented from doing so by CMAL's non-compliance with its obligations under the Property and Equipment Licence, the Fleet Bareboat Charterparty and the Ship Charters,

5.2.2 the provisions of Parts 1 to 14 of the Schedule to this Agreement;

5.2.3 the Performance Regime;

5.2.4 the KPIs; and

5.2.5 the Plans.

5.3 CFL may not use the Vessels for any purpose other than the Services without the prior written consent of the Scottish Ministers.

5.4 In providing the Services CFL may Cascade such of the Vessels as it considers appropriate from time to time providing that such Cascade does not, without the consent of the Scottish Ministers, materially or permanently change the Scheduled Ferry Services. CFL shall inform the Scottish Ministers as soon as practicable on each occasion that a Vessel is Cascaded, including the reason for and expected duration of the Cascade.

5.5 If at any time any Vessel is unable to undertake or complete a voyage for any reason and the Scheduled Ferry Services cannot be provided by Cascading, CFL shall, following discussion with Scottish Ministers, wherever possible provide the Services by employing a vessel or vessels other than the Vessels in accordance with Schedule Part 3 (*Vessels and Ports*). As soon as the need to employ a replacement or substitute vessel arises, CFL shall provide the Scottish Ministers with all of the following documents in relation to that substitute vessel, all in form and substance satisfactory to the Scottish Ministers:

5.5.1 a charterparty or other evidence of CFL's entitlement to the employment of such vessel;

5.5.2 evidence of insurance at least equivalent to that required for the Vessel which is being replaced;

5.5.3 all certificates required by the MCA and other relevant regulatory bodies; and

5.5.4 such other information as the Scottish Ministers may reasonably require to satisfy themselves that the proposed vessel is capable of providing the Services,

provided always that in the event of an emergency or if the need to employ a replacement or substitute Vessel (other than a Cascaded Vessel) is urgent then CFL shall provide Scottish Ministers with the foregoing documents as soon as reasonably practicable.

5.6 CFL shall comply with and implement each of the Plans in accordance with the relevant Schedule Parts and provide the Services in accordance therewith.

5.7 CFL shall:

5.7.1 comply with Schedule Part 2 (*Fares*); and

5.7.2 publish the fares for the Services,

and CFL shall not, without the consent of the Scottish Ministers, charge rates in excess of the Published Tariff Scheme at any time during the Grant Period.

5.8 The Scottish Ministers may at any time contact any of the Ports to obtain information about



or relating to the Services and CFL shall sign such documents and carry out such acts as required to facilitate the provision of such information by the relevant Harbour and will use its reasonable endeavours to procure that any relevant Harbour complies with such a request.

5.9 During periods of Scheduled Unavailability CFL shall:

5.9.1 use all reasonable endeavours to minimise the disruption to the Services; and

5.9.2 provide reasonable notice and reasonable assistance to users of the Services to minimise the disruption suffered by them.

5.10 During periods of Scheduled Unavailability, CFL shall comply with the Scheduled Maintenance Programme and the Performance Regime.

5.11 Throughout the Grant Period CFL shall regularly review the Services via the continuous improvement process set out in Schedule Part 10 Part C (*Innovation and Continuous Improvement*).

5.12 As and when requested by the Scottish Ministers and as otherwise required in connection with CHFS3, CFL shall take part in local community liaison throughout the Grant Period. The Scottish Ministers are entitled to be represented at such meetings and their representatives are entitled to speak at such meetings.

5.13 CFL shall liaise with the Scottish Ministers in good faith throughout the Grant Period, inter alia in accordance with Schedule Part 11 (*Performance Review and Reporting*), in relation to all matters relevant to both the Services and this Agreement, in order to facilitate the continued provision of the Services.

5.14 CFL shall following a request from Scottish Ministers provide expertise and assistance in relation to the development and evaluation of proposals and/or feasibility assessments in connection with the Services which may include, management, operational or financial advice. If CFL is unable to provide such advice from its own resources and is required to engage third party specialist advisors to provide such advice CFL shall notify the Scottish Ministers prior to engaging such third party advisors and shall provide the Scottish Ministers with an estimate of the cost of engaging such third party advisors. Following agreement between the Parties as to such costs Scottish Ministers shall reimburse to CFL the reasonably and properly incurred cost of such third party advisors.

**6. INFORMATION RELATING TO THE SERVICES**

6.1 CFL shall throughout the Agreement collect and preserve all information regarding the Services including (without limitation) the Vessels and their operation, employees, passenger numbers and other matters (including corresponding information as regards key subcontractors).

6.2 CFL shall supply the Scottish Ministers with such of the information referred to in Clause 6.1 which the Scottish Ministers may require (of which the Scottish Ministers will be the sole judges) regarding the business and affairs of CFL (and of any Associated Company of CFL employed in connection with the provision of the Services), the provision of the Services, and any other matters connected with or affecting the foregoing or the performance by CFL of its obligations under this Agreement or the performance by the

relevant parties of their obligations under the agreements set out in Schedule Parts 1, 3 and 7 at any time during the Grant Period.

- 6.3 Any request made under Clause 6.2 must be complied with within any such timescale as the Scottish Ministers may specify in any such request, and may not only require the provision of data or information which is held by CFL in the format requested, but also the collection and collation of that information or data where considered necessary by the Scottish Ministers.

## **7. TIMETABLE**

- 7.1 CFL shall publish timetables in respect of each Financial Year in accordance with Schedule 1 (*Services*).
- 7.2 The Winter Timetable for the period from the Commencement Date until the commencement of the Summer Timetable of the 2025/2026 Financial Year shall be the Timetable set out at <https://www.calmac.co.uk/en-gb/timetables/#/>.
- 7.3 CFL shall provide the Scheduled Ferry Services in accordance with the Timetable except:
- 7.3.1 during any period of Scheduled Unavailability;
  - 7.3.2 where it is necessary to adjust the times as a direct and unavoidable consequence of weather or tidal conditions; or
  - 7.3.3 where additional services are required to meet demand for circumstances and special events (as contemplated in Schedule Part 1 (*Services*)) by instruction of the Scottish Ministers.
- 7.4 CFL may make Minor Changes without prior consent of the Scottish Ministers. CFL may, with the prior consent of the Scottish Ministers, make changes to the departure and arrival times of any sailing set out in the Timetable.
- 7.5 On making changes pursuant to this Clause 7, CFL shall publish a revised Timetable at least 20 Business Days prior to the revised Timetable coming into effect and shall take all necessary steps to publicise such changes to the public and the travel trade.
- 7.6 CFL may provide additional sailings in accordance with the Additional Sailings Protocol set out in Schedule Part 11 (*Performance Review and Reporting*) Annex B.
- 7.7 CFL shall provide the Unscheduled Ferry Services to meet seasonal or other demand in accordance with Schedule Part 1 (*Services*).

## **8. ASSETS**

- 8.1 CFL shall;
- 8.1.1 maintain the Asset Register throughout the Grant Period, ensuring that it details all Assets acquired or improved by CFL during the Grant Period together with their acquisition and/ or improvement costs, current condition and current value;
  - 8.1.2 update the Asset Register on an ongoing basis; and
  - 8.1.3 make the Asset Register available to Scottish Ministers at all times.

- 8.2 CFL shall use the Assets exclusively used for the provision of the Services and shall ensure that all Assets are clearly marked to identify that they are the property of CFL.
- 8.3 CFL shall maintain, repair or replace all Assets unless otherwise directed by the Scottish Ministers, and unless so directed the Assets must be presented in good working order, such that each Asset is fully fit to perform the functions for which the Asset has been designed and having a residual life expectancy of the greater of one year or that pertaining when the Asset was taken over (subject always to the effects of reasonable wear and tear).
- 8.4 CFL shall ensure that on expiry of the Grant Period the Assets transfer at no charge to the Incoming Operator or to the Scottish Ministers in the event that there is no Incoming Operator.

## **9. VARIATIONS TO THE SERVICES**

- 9.1 The Scottish Ministers may from time to time issue a notice (a **Variation Notice**) requesting a variation to the Services, which may include the termination of any part or parts of the Services. As soon as practicable and in any event within 40 Business Days after having received a Variation Notice CFL shall deliver to the Scottish Ministers a written evaluation of the proposed variation setting out such information as the Scottish Ministers may require (or, in the absence of any relevant direction, such information as CFL considers reasonable in the circumstances).
- 9.2 Where the Scottish Ministers wish (at their sole discretion) to proceed with the relevant variation they shall issue a Variation Form which CFL shall sign and return to the Scottish Ministers and CFL shall thereafter implement the variation. The financial consequences of the variation shall be reflected through the Annual Budget process.
- 9.3 The Parties acknowledge that there may be circumstances where a variation to the Services requires to be implemented urgently to protect the safety of passengers, crew, employees, livestock, cargo, the Vessels and/or the ports or to ensure the continued provision of the Services (an **Urgent Variation**). On the verbal instructions of the Scottish Ministers' Representative an Urgent Variation shall be implemented by CFL without delay, shall be confirmed in writing by Scottish Ministers within 7 days and shall be ratified via the Annual Budget process in due course.
- 9.4 Amendments to this Agreement or variations of its terms will only be effective where constituted in writing and signed by or on behalf of each of the Parties.

## **10. HANDOVER ASSISTANCE**

- 10.1 CFL shall provide the Scottish Ministers and/or any potential Incoming Operator access on reasonable notice to the Vessels and any other facilities employed in the provision of the Services (or the relevant elements thereof) for the purposes of inspection and carrying out due diligence (including the carrying out by any potential Incoming Operator of passenger surveys) provided that such rights of access and inspection do not interfere with the performance by CFL of its obligations under this Agreement, the GIA Letter or any of the Principal Contracts.
- 10.2 Where the Scottish Ministers have appointed an Incoming Operator, CFL shall cooperate with the Scottish Ministers and the Incoming Operator to ensure a smooth handover and

uninterrupted provision of the Services (or the relevant elements thereof). CFL shall on request transfer any rights that it may at the relevant time have in relation to the trade mark or trade name under which the Services (or the relevant elements thereof) are operated or marketed to the relevant Incoming Operator.

10.3 CFL will, within three months after a request from the Scottish Ministers, deliver to Scottish Ministers a Handover Assistance Plan which:

10.3.1 sets out CFL's proposed methodology during the Transfer Assistance Period for achieving an orderly transition of Services (or the relevant elements thereof) from CFL to the Scottish Ministers and/or their proposed Incoming Operator on the Expiry Date or on the termination of this Agreement or on the removal of any part or parts of the Services from the scope of this Agreement pursuant to a Variation; and

10.3.2 complies with the requirements set out in Clause 10.4 below.

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

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

10.4.2 the management structure to be employed during both transfer and cessation of the Services (or the relevant elements thereof), on expiry, termination and/or relevant Variation; and

10.4.3 a detailed description of both the transfer and cessation processes, including a timetable, applicable in the case of expiry, termination and/or relevant Variation as well as procedures to deal with requests made by the Scottish Ministers and/or an Incoming Operator for Staffing Information pursuant to Schedule Part 9 (*Human Resources and Core Personnel*).

10.5 CFL shall implement the Handover Assistance Plan in accordance with its terms to the satisfaction of Scottish Ministers.

## **11. GRANT**

11.1 Grant shall be payable to CFL in accordance with and pursuant to the GIA Letter.

11.2 The Grant must be used solely to meet the costs and expenses of provision of the Services in accordance with this Agreement and the GIA Letter and for no other purpose whatsoever.

11.3 It is hereby specifically declared that the Grant is a subsidy only and not a payment for services provided or to be provided to the Scottish Ministers. Accordingly, any payment made by the Scottish Ministers to CFL under this Agreement and/or the GIA Letter does not represent consideration for a taxable supply for VAT purposes and so VAT will not be payable in respect of any such payment.

- 11.4 If it is determined by HM Revenue and Customs that CFL is liable to account for VAT in respect of any payment made by the Scottish Ministers to CFL, the Scottish Ministers must pay VAT in addition to such payment within 14 days after delivery of:
- 11.4.1 written evidence of such determination;
  - 11.4.2 a valid VAT invoice; and
  - 11.4.3 an undertaking from CFL:
    - (a) promptly to refund to the Scottish Ministers such VAT if it is determined not to be chargeable; and
    - (b) to make (at the expense of the Scottish Ministers) such representations and appeals as the Scottish Ministers may reasonably request in respect of such determination.

## **12. PUBLIC SECTOR CONTRIBUTIONS**

- 12.1 CFL shall notify the Scottish Ministers immediately if:
- 12.1.1 CFL makes an application for any Public Sector Contribution in connection with the Services;
  - 12.1.2 CFL receives notification that it will receive, or will receive an offer of, any Public Sector Contribution in connection with the Services; or
  - 12.1.3 CFL receives any Public Sector Contribution in connection with the Services, and any such notification must give full details of the Public Sector Contribution applied for, offered or received as the case may be.
- 12.2 Where any Public Sector Contribution is received by CFL, the Scottish Ministers may withhold payment of the Grant or any part of it.

## **13. SUBSIDY DETERMINATIONS: RECOVERY OF GRANT**

- 13.1 The Scottish Ministers may withhold payment of the Grant or any part of it or reclaim the Grant (or any part of it) and CFL shall repay any such sum within 20 Business Days should the Scottish Ministers at any point believe that not withholding or reclaiming the Grant or any part of it would put Scottish Ministers in breach of the requirements of the Subsidy Control Act 2022.
- 13.2 In the event of any determination or order by any Court of competent jurisdiction which requires repayment of the Grant or any part of it then the provisions of Clause 29 (*Termination*) will apply.
- 13.3 In the event of any interim determination or order by any Court of competent jurisdiction which requires the Scottish Ministers to do so, the Scottish Ministers may withhold payment of the Grant or any part of it or take any other action required under said interim determination or order until the Scottish Ministers are no longer required to do so by the terms of the relevant interim determination or order.

## 14. TUPE, HR AND CORE PERSONNEL

### 14.1 The Parties acknowledge and agree that:

- 14.1.1 the commencement of this Agreement does not constitute a Relevant Transfer for the purposes of the Employment Regulations; but
- 14.1.2 the expiry of or termination of all or part of this Agreement and the GIA Letter may constitute a Relevant Transfer for the purposes of the Employment Regulations and accordingly the provisions of Schedule Part 14 (*TUPE*) will apply.

### 14.2 CFL shall:

- 14.2.1 comply with Schedule Part 9 (*Human Resources and Core Personnel*) and Schedule Part 14 (*TUPE*);
- 14.2.2 implement the HR Strategy to the satisfaction of the Scottish Ministers; and
- 14.2.3 review the strategy from time to time or when so required by any change of circumstance or when so requested by the Scottish Ministers.

### 14.3 CFL acknowledges that the Core Personnel are essential to the proper provision of the Services and accordingly CFL shall:

- 14.3.1 obtain the prior written consent of the Scottish Ministers before removing or replacing any member of the Core Personnel; and
- 14.3.2 ensure that any replacement is as or more qualified and experienced as the previous incumbent of such role and is fully competent to carry out the tasks assigned to the role of the member of Core Personnel whom he or she has replaced.

## 15. PENSIONS

### 15.1 CFL shall, and shall procure that any Associated Company and subcontractor which employs personnel within the UK who are engaged in the provision of all or any of the Services (**Relevant Sub-Contractor**) shall:

- 15.1.1 in respect of each of the Pension Schemes, remain a Scheme Employer (to the extent that they are currently a Scheme Employer) in respect of each of the Pension Schemes with effect from the Commencement Date, and
- 15.1.2 ensure that for the duration of the Grant Period:
  - (a) each Existing Employee who is an active member of (or was entitled to become a member of) a Pension Scheme at the Commencement Date will be entitled, during the whole period that such Existing Employee is involved in the provision of the Services, to remain (or become) an active member of that Pension Scheme on substantially the same terms as at the Commencement Date; and
  - (b) all Eligible Employees are offered membership of the CalMac Pension Fund, subject to the trustees of the CalMac Pension Fund consenting to

the admission of new members to the CalMac Pension Fund who are employed by CFL wholly or mainly in the provision of the Services.

- 15.2 The provisions of Clause 15.1 shall be directly enforceable by an affected employee against CFL or any Relevant Sub-Contractor and the Parties agree that, notwithstanding the provisions of Clause 38 (*Third Party Rights*), such employees shall have a third party right to the extent necessary to ensure that any affected employee shall have the right to enforce any obligation owed to such employee by CFL or any Relevant Sub-Contractor under Clause 15.1.

## 16. DATA PROTECTION

- 16.1 CFL will be a Controller in respect of any Personal Data it obtains through the operation of this Agreement and the GIA Letter.
- 16.2 CFL shall comply at all times with all Data Protection Law.

## 17. FREEDOM OF INFORMATION

- 17.1 Each Party acknowledges that the other Party is subject to the requirements of the FOISA and the EIRs and may require to disclose data or information in relation to this Agreement pursuant to the provisions of the FOISA and the EIRs.
- 17.2 Where a Party receives a written Request for Information (as defined in the FOISA) which is covered by the FOISA or the EIRs and which relates to any Confidential Information of another Party (the **Requested Information**) each Party shall comply with the procedure set out in this Clause 17.2:
- 17.2.1 the Party who receives the request (**Request Receiver**) shall before making any disclosure of the Requested Information and as soon as reasonably practicable after receiving the Request for Information notify the other Party (**Other Parties**) of the receipt of such request for information and of the nature and extent of the information covered by the Request for Information;
- 17.2.2 following receipt of notification under Clause 17.2.1, the other Party may make representations in writing to the Request Receiver as to whether and on what basis the Requested Information is covered by any exemption in the FOISA or the EIRs and should not therefore be disclosed, including where relevant any representations as to the balance of the public interests in disclosure and nondisclosure;
- 17.2.3 the Request Receiver shall reasonably consider any representations made by the other Party under Clause 17.2.2 before reaching a decision on whether it must and shall disclose the Requested Information. However, each Party acknowledges that in all cases it is for the Request Receiver (having full regard to any guidance or codes of practice issued by the Scottish Information Commissioner or the Scottish Government) to determine whether it is obliged to disclose the Requested Information under the FOISA or the EIRs including where the public interest lies in relation to disclosure; notwithstanding Clause 17.2.1 the Request Receiver shall not notify the other Party under Clause 17.2.1 where the Request Receiver has already decided that it does not intend to disclose the Requested Information

because the FOISA or the EIRs do not apply to the Request for Information or an exemption under the FOISA or the EIRs can be applied, provided that should the Receiving Party determine at a later date that the FOISA or the EIRs do apply to the Requested Information, the process set out in this Clause 17.2 shall apply;

17.2.4 if the Request Receiver takes a decision to disclose the Requested Information, it shall notify the other Party of this decision not less than 5 Business Days in advance of the disclosure being made; and

17.2.5 for the avoidance of doubt, references to the Requested Information under this Clause 17.2 shall include both queries as to whether Confidential Information exists and requests for the disclosure of Confidential Information.

17.3 Without prejudice to the specific provisions above, each Party shall co-operate and aid the other so as to enable them to meet their obligations under the FOISA or the EIRs or any successor legislation to either of the foregoing. Where a Party receives a Request for Information then such co-operation shall include without limitation the provision of the Requested Information to the Request Receiver within a reasonable timescale to enable the Request Receiver to comply with the Request for Information within the timescales required by the FOISA or the EIRs.

## **18. CONFIDENTIALITY**

18.1 CFL shall keep secret and not disclose (and procure that CFL's employees keep secret and do not disclose) any information of a confidential nature obtained by CFL by reason of this Agreement except information which is in the public domain otherwise than by reason of a breach of this provision.

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

18.3 Notwithstanding any other provision of this Agreement, either Party may disclose any information acquired by it under or pursuant to this Agreement and/or the GIA Letter without the prior written consent of the other Party if such disclosure is made in good faith:

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

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

18.3.3 in the case of CFL, to any Affiliate to the extent necessary to enable CFL to perform its obligations under this Agreement and/or the GIA Letter; and/or

18.3.4 to any third party consultants or advisers engaged by or on behalf of such Party and acting in that capacity, upon obtaining from such consultants or advisers an undertaking of confidentiality.



- 18.4 CFL shall not, and must ensure and procure that its agents, employees, representatives and subcontractors do not, except with the prior approval of the Scottish Ministers (which may be granted subject to such conditions as the Scottish Ministers see fit):
- 18.4.1 communicate with representatives of the press, television, radio or other communications media on any matter concerning the Agreement; or
- 18.4.2 disclose to third parties any information obtained by it from the Scottish Ministers under or in connection with the Agreement.
- 18.5 The provisions of this Clause 18 will not apply to any information which may reasonably be required to be disclosed to any party by the Scottish Ministers for the purposes of seeking an Incoming Operator, including any information requested by the Scottish Ministers in accordance with Clause 5.13.
- 18.6 The obligations imposed by this Clause 18 will continue to apply after the expiry or termination of this Agreement.

## **19. INTELLECTUAL PROPERTY RIGHTS**

- 19.1 CFL agrees that the ownership of and the right to exploit all forms and aspects of Intellectual Property Rights in any Assets, or created by CFL in connection with the provision of the Services (including without limitation any IT systems, booking tools or website), shall belong to the Scottish Ministers and accordingly CFL hereby assigns to the Scottish Ministers all property rights which it may have in such assets, including Intellectual Property Rights and that for the full term of such Intellectual Property Rights and all renewals and extensions thereof and waives such rights (including but not limited to moral rights) as are not capable of assignment.
- 19.2 CFL shall not acquire any right, title or interest in or to the Intellectual Property Rights of the Scottish Ministers or their licensors, including, without limitation any Intellectual Property Rights in IT systems, booking tools and websites.
- 19.3 The Scottish Ministers hereby grant to CFL a royalty-free, non-exclusive, non-transferable licence during the Grant Period to use the Assets (including where applicable any IT systems, the booking tools and websites). The licence is granted solely to the extent necessary for performing the Services in accordance with this Agreement. CFL shall not use the licensed Assets for any other purpose or for the benefit of any person other than the Scottish Ministers.
- 19.4 CFL shall ensure that nothing contained in any materials produced or submitted to the Scottish Ministers by CFL or anyone acting on its behalf nor the reproduction of such materials, constitutes an infringement of any third party copyright or intellectual property right and CFL hereby indemnifies the Scottish Ministers against all actions, proceedings, claims and demands resulting from any such infringement.

## **20. COMPLIANCE WITH THE LAW**

- 20.1 In providing the Services, and otherwise when performing its obligations pursuant to this Agreement and the Grant In Aid Letter, CFL shall comply in all respects with Applicable Law.

- 20.2 CFL shall not commit or attempt to commit any offence in its activities relating to this Agreement, the Grant In Aid Letter and/or the Services:
- 20.2.1 under the Bribery Act 2010; or
- 20.2.2 of fraud, uttering, or embezzlement at common law,
- and a breach of this Clause 20.2 will be treated as a material breach for the purposes of Clause 27.1 (*Events of Default*).
- 20.3 CFL shall not unlawfully discriminate against any person in breach of the Equality Act 2010 in its activities relating to the Agreement, the Grant In Aid Letter and/or the Services.

## **21. BOOKINGS AND TICKETING**

- 21.1 CFL shall ensure that all bookings and reservations are dealt with on a first come first served basis unless CFL is otherwise instructed by Scottish Ministers.
- 21.2 CFL shall continue to sell tickets up to the earlier of the Expiry Date or the Termination Date (or, in the case of the removal of any part or parts of the Services from the scope of this Agreement pursuant to a Variation, the date on which the variation takes effect) and shall in pursuance of the Handover Assistance Plan pay to the Incoming Operator the value of tickets sold for the provision of ferry services (or the relevant elements thereof) following the Expiry Date or Termination Date or the coming into effect of the relevant Variation (as the case may be).

## **22. OPERATIONAL UNDERTAKINGS**

- 22.1 CFL undertakes at all times during the Grant Period:
- 22.1.1 immediately to notify the Scottish Ministers of the commencement of any Insolvency Event affecting CFL;
- 22.1.2 to send to the Scottish Ministers, at the same time as they are dispatched, copies of all communications that are dispatched to CFL's shareholders;
- 22.1.3 to provide to the Scottish Ministers details of any legal or regulatory action involving CFL or the Vessels as soon as such action is instituted.

## **23. PAYMENT AND RECOVERY OF SUMS DUE**

- 23.1 Subject to Clause 13 (*Subsidy Determinations: Recovery of Grant*) and Schedule Part 1 Part 2 (*Payment of the Grant*) of the Grant In Aid Letter, each Party must pay all sums due to the other within 20 Business Days of receipt of a valid invoice and such supporting documentation as may be reasonably required by the other Party.
- 23.2 Wherever under the Agreement and/or the GIA Letter any sum of money is recoverable from or payable by CFL, the Scottish Ministers may deduct that sum from any sum due to CFL whether under the Agreement and the GIA Letter or otherwise.
- 23.3 CFL shall make any payments due to the Scottish Ministers without any deduction whether by way of set-off, counterclaim, discount, abatement or otherwise unless CFL has a valid court order requiring an amount equal to such deduction to be paid by the Scottish Ministers to CFL.

- 23.4 If the payment or deduction of any amount referred to in Clause 23.3 above is disputed then any undisputed element of that amount must be paid and the disputed element must be dealt with in accordance with Clause 26 (*Dispute Resolution Procedure*) as appropriate in the circumstances.

## **24. AUDIT, EXPENDITURE AND ACCOUNTABILITY**

- 24.1 CFL shall ensure and procure that adequate internal expenditure controls are in place and that all resources are used economically, effectively and efficiently so as to comply with the terms of this Agreement and the GIA Letter.
- 24.2 CFL shall ensure that there is no cross-subsidisation between CFL and any other Associated Company and that all transactions with any Associated Company are conducted on an arm's length basis and are so identified in all records and books of accounts.
- 24.3 CFL must have clear, separate and transparent accounting systems for the financing and operating of the Services (in accordance with the Financial Transparency (EC Directive) Regulations 2009/2331) as amended by the State Aid (Revocations and Amendments) (EU Exit) Regulations 2020/1470 to ensure that the Grant is only used for the Services and not for any other activity of CFL and shall deal with the Scottish Ministers on an open book basis.
- 24.4 CFL shall, and shall ensure that their Associated Companies shall, keep and maintain throughout the Grant Period and thereafter, until 10 years after the final payment by the Scottish Ministers to CFL pursuant to the Grant In Aid Letter and/or this Agreement, adequate and proper records of and books of accounts recording the financial affairs of CFL and their Associated Companies, the provision of the Services, and all receipts and expenditures of monies advanced to CFL by the Scottish Ministers by way of the Grant.
- 24.5 CFL shall, allow the Scottish Ministers and persons appointed by them access to the premises, the Vessels and the employees of CFL and all records and books of account of CFL and must procure that any Associated Company with which CFL has contracted for purposes connected with this Agreement or the Services must allow similar access.
- 24.6 CFL shall provide to the Scottish Ministers (or any other person appointed by the Scottish Ministers) such information as they may reasonably require from time to time, including access to and/or copies of all records maintained by CFL and their Associated Companies concerning any of the Services and the Scottish Ministers must reimburse to CFL its reasonable costs incurred in complying with this Clause 24.6.
- 24.7 CFL shall throughout the duration of the Grant Period and for a period of 5 years after the final payment has been made to CFL by the Scottish Ministers pursuant to this Agreement provide the Auditor General for Scotland access at all reasonable times and on reasonable notice to its books and records for the purposes of carrying out any audit or examination which he is empowered to carry out pursuant to the Public Finance and Accountability (Scotland) Act 2000 or any other Legislation.

## **25. ASSIGNATION AND SUB-CONTRACTING**

- 25.1 CFL shall not assign any portion of the Agreement or sub-contract any material portion of the Agreement without the prior written consent of the Scottish Ministers. Sub-contracting

any part of the Agreement will not relieve CFL of any obligation or duty (or part thereof) attributable to CFL under the Agreement.

- 25.2 CFL shall provide the Scottish Ministers with a copy of the deed or document formally recording any assignation of this Agreement.
- 25.3 Where the Scottish Ministers have consented to the placing of sub-contracts, copies of each sub-contract shall be sent by CFL to the Scottish Ministers immediately after they are issued.
- 25.4 Where CFL enters a sub-contract for the purpose of performing any part of this Agreement, CFL shall ensure a term is included in such sub-contract which:
- 25.4.1 requires payment to be made to the subcontractor within a specified period not exceeding 30 days from receipt of a valid invoice from subcontractor and provides that, where the Scottish Ministers have made payment to CFL in respect of the Services and the contractor's invoice relates to such Services then, to that extent, the invoice must be treated as valid and, provided CFL is not exercising a right of retention or set-off in respect of a breach of contract by subcontractor, or in respect of a sum otherwise due by the subcontractor to CFL, payment must be made to subcontractor without deduction;
  - 25.4.2 notifies subcontractor that the sub-contract forms part of a larger contract between CFL and the Scottish Ministers and that should subcontractor have any difficulty in securing the timely payment of an invoice, that matter may be referred by the subcontractor to the Scottish Ministers; and
  - 25.4.3 is in the same terms as that set out in this Clause 25.4 (including this Clause 25.4.3) subject only to modification to refer to the correct designation of the equivalent party as the Scottish Ministers and subcontractor, as the case may be.
- 25.5 CFL shall keep and maintain, in such format as is required by Scottish Ministers, a register detailing all subcontracts and other agreements for supplies and services on which the provision of all or some of the Services depend. The register shall include the title of the subcontract, the contracting parties, the nature of the supplies or services, the dates of commencement and expiry and the value of the contract.
- 25.6 CFL shall (unless otherwise agreed by the Scottish Ministers) ensure that all sub-contracts and other agreements with third parties (other than CMAL) which are required for the performance of the Services shall be assignable and/or capable of novation to the Scottish Ministers and/or their nominee in the event of CFL ceasing to provide the Services, such right of assignation or novation to be on request and without restriction (including any need to obtain any consent or approval) or requirement for payment.

## **26. DISPUTE RESOLUTION PROCEDURE**

- 26.1 Any disputes between SM and CFL will be discussed in the first instance by the Scottish Minister's Representative and the Chief Executive of CFL and if a resolution cannot be agreed, the dispute will be escalated to the TS Accountable Officer and the CFL board of directors for discussion and resolution. Ultimately the TS Accountable Officer may determine the course of action to be taken (except to the extent that CFL can adequately evidence that such course of action would lead to safety concerns or constitute a breach of

applicable law) and CFL will implement that course of action, and the TS Accountable Officer may instruct CFL directly should this be required (and CFL shall comply with such instruction(s)).

## **27. EVENTS OF DEFAULT**

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

- 27.1.1 the taking place of any one or more of the events set out in paragraph 10.1.1 to 10.1.9 (inclusive) of the Grant In Aid Letter;
- 27.1.2 CFL knowingly and deliberately giving any fraudulent written information to the Scottish Ministers or giving any other written information to the Scottish Ministers which read as a whole is incorrect or misleading, in a material respect;
- 27.1.3 an Insolvency Event affecting CFL;
- 27.1.4 a Financial Distress Event affecting CFL;
- 27.1.5 CFL ceasing or threatening to cease to carry on business or to provide the Services or any part of them;
- 27.1.6 the occurrence of any event which allows or which with the lapse of time would allow any party to any of the Principal Contracts to terminate a Principal Contract before its expiry date;
- 27.1.7 the arrest or detention of any Vessel unless the Vessel in question is free from arrest or detention within 7 days;
- 27.1.8 failure to meet any of the KPIs and/or any material objectives contained in the benefits realisation plan for a rolling period in excess of 3 months;
- 27.1.9 any authorisation, approval, consent, licence, exemption, filing, registration or notarisation or other requirement necessary to enable CFL to comply with any of its obligations hereunder which are material (as determined by the Scottish Ministers) and which CFL is responsible for procuring and/or maintaining, being modified, revoked or withheld or ceasing to remain in full force and effect and not being reinstated in full force and effect or replaced by an equivalent, unless lack of the same does not affect the provision of the Services and said reinstatement or replacement is achieved with 7 Business Days; and
- 27.1.10 there is any Change in Control.

## **28. CURE**

28.1 The Scottish Ministers may at any time issue a notice to CFL (a **Cure Notice**) if:

- 28.1.1 CFL persistently fails to meet any of the KPIs;
- 28.1.2 CFL fails to comply with any of its obligations under this Agreement; or
- 28.1.3 there is an Event of Default which is capable of remedy,

which Cure Notice shall require CFL to submit within 14 days a Cure Plan which will, if performed, cure or remedy the matters referred to in the Cure Notice to the satisfaction of the Scottish Ministers within a period acceptable to the Scottish Ministers.

- 28.2 The Cure Notice shall contain sufficient detail so that it is clear what CFL is required to remedy. CFL is required, within 14 days of receipt of a Cure Notice (or such other period agreed by the Parties) even if CFL disputes that it is responsible for the matters complained of, to submit a draft Cure Plan which will, if performed, cure or remedy the matters referred to in the notice to the satisfaction of the Scottish Ministers within a period acceptable to the Scottish Ministers.
- 28.3 If the Scottish Ministers consider that the draft Cure Plan is insufficiently detailed to be properly evaluated, or will take too long to complete or will not remedy the matters complained of then they may either agree a further time period for the development and agreement of the Cure Plan or escalate any issues with the draft Cure Plan using the Escalation Process. If despite the foregoing measures a Cure Plan cannot be agreed then the Scottish Ministers may elect to end the Cure Plan process.
- 28.4 When the Cure Plan has been approved by the Scottish Ministers CFL will implement the Cure Plan in accordance with its terms to the satisfaction of the Scottish Ministers.
- 28.5 If at any time the Scottish Ministers are not satisfied with the progress being achieved by CFL in relation to the Cure Plan, then the Scottish Ministers may by notice to CFL declare that the payment of the Grant will be suspended whereupon the liability of the Scottish Ministers in respect of the Grant will be suspended immediately and the Dispute Resolution Procedure will be triggered.
- 28.6 If:
- 28.6.1 the terms of the Cure Plan have not been agreed;
  - 28.6.2 the actions specified in the Cure Plan to be taken by CFL or otherwise have not been taken within the period specified in the Cure Plan; and/or
  - 28.6.3 the matter(s) referred to in the Cure Notice have not otherwise been resolved to the satisfaction of the Scottish Ministers,
- an Event of Default which is not capable of remedy will be deemed to have occurred.

## **29. TERMINATION**

- 29.1 This Agreement may be terminated at any time by the Scottish Ministers giving written notice to CFL, including on an Event of Default and/or in the event of a determination or order by any Court of competent jurisdiction requiring repayment of the Grant by CFL either in full or in part.
- 29.2 This Agreement shall terminate automatically on termination of the Grant In Aid letter.

## **30. CONSEQUENCES OF TERMINATION**

- 30.1 Notwithstanding the provisions of Clause 29 (*Termination*) and this Clause 30, the following will survive termination of this Agreement:
- 30.1.1 Clause 1 (*Definitions*),

- 30.1.2 Clause 10 (*Handover Assistance*),
- 30.1.3 Clause 14 (*TUPE, HR and Core Personnel*)
- 30.1.4 Clause 16 (*Data Protection*),
- 30.1.5 Clause 17 (*Freedom of Information*),
- 30.1.6 Clause 18 (*Confidentiality*),
- 30.1.7 Clause 20 (*Compliance with the Law*),
- 30.1.8 Clause 24 (*Audit, Expenditure and Accountability*),
- 30.1.9 Clause 26 (*Dispute Resolution Procedure*),
- 30.1.10 Clause 32 (*Indemnity*),
- 30.1.11 Clause 36 (*Waiver*),
- 30.1.12 Clause 37 (*Severability*)
- 30.1.13 Clause 40 (*Governing Law*),
- 30.1.14 Schedule Part 14 (*TUPE*),

along with any other Clauses or Schedule Parts necessary to give effect to those provisions.

- 30.2 Termination will not prejudice or affect any right of action or remedy which has accrued or accrues to either Party.
- 30.3 The termination of any element or elements of the Services, but not the whole of the Services, shall be dealt with via the variation process set out in Clause 9 (*Variations to the Services*).

### **31. WARRANTIES**

- 31.1 CFL warrants and undertakes to the Scottish Ministers that as at the Commencement Date:
  - 31.1.1 it is a limited liability company, duly incorporated and validly existing and not in liquidation or apparently insolvent under the laws of Scotland or any jurisdiction outside Scotland;
  - 31.1.2 it has full power and authority to enter into, and to fulfil its obligations under, this Agreement and the Principal Contracts and that the Agreement is executed by a duly authorised individual;
  - 31.1.3 all authorisations, approvals, consents, licences, registrations and other matters, official or otherwise, required or advisable in connection with the entry into, performance, validity and enforceability of this Agreement and in connection with the operation of the Services have been obtained or effected and are in full force and effect and there are no circumstances which indicate that any of the same are likely to be revoked in whole or in part in the ordinary course of events;
  - 31.1.4 in entering the Agreement it has not committed any offence under the Bribery Act 2010 or of fraud or uttering at common law;
  - 31.1.5 no claim is being asserted and no litigation, alternative dispute resolution procedure or administrative proceeding is presently in progress or, to the best of its

knowledge and belief, pending or threatened against it or any of its assets which will or might have a material adverse effect on its ability to perform its obligations;

- 31.1.6 it is not subject to any contractual obligation, compliance with which is likely to have a material adverse effect on its ability to perform its obligations under the Agreement;
- 31.1.7 no proceedings or other steps have been taken and not discharged (nor, to the best of its knowledge, are threatened) for the winding up of CFL or for its dissolution or for the appointment of a receiver, administrative receiver, liquidator, manager, administrator or similar officer in relation to any of CFL's assets or revenue;
- 31.1.8 it owns, has obtained or is able to obtain, valid licences for all Intellectual Property Rights that are necessary for the performance of its obligations under the Agreement;
- 31.1.9 in the 3 years prior to the Commencement Date:
  - (a) it has conducted all financial accounting and reporting activities in compliance in all material respects with the generally accepted accounting principles that apply to it in any country where it files accounts;
  - (b) it has been in full compliance with all applicable securities and tax laws and regulations in the jurisdiction in which it is established;
- 31.1.10 it has not done or omitted to do anything which could have a material adverse effect on its assets, financial condition or position as an ongoing business concern or its ability to fulfil its obligations under the Agreement;
- 31.1.11 there are no actual or potential conflicts between the interests of CFL and the duties owed to the Scottish Ministers under the Agreement.

## **32. INDEMNITY**

- 32.1 Without prejudice to any rights or remedies of the Scottish Ministers, CFL indemnifies the Scottish Ministers against all claims, proceedings, actions, damages, demands, losses, charges and costs, together with expenses which the Scottish Ministers may suffer or incur:
  - 32.1.1 as regards damage to property resulting from any act or omission of CFL;
  - 32.1.2 in respect of any injury (whether fatal or otherwise) to any person which may result directly or indirectly from any negligent or wrongful act or omission of CFL; or
  - 32.1.3 as a result of CFL's breach of this Agreement.

## **33. FORCE MAJEURE**

- 33.1 Each Party is relieved from liability for performance of its obligations under this Agreement and the GIA Letter to the extent that it is not able to perform such obligations due to a Force Majeure Event.
- 33.2 If either Party is affected by a Force Majeure Event, it must immediately notify the other



Party of the nature and extent of the circumstances in question.

- 33.3 If at any time CFL claims a Force Majeure Event in respect of any of its obligations under this Agreement and the GIA Letter, the Scottish Ministers are entitled at their own cost to procure one or more third parties to provide the Services in so far as CFL is unable to provide the Services or part of them for so long as the Force Majeure Event or its effect continues to prevent CFL from performing all or any of its obligations under this Agreement and the GIA Letter.
- 33.4 The Scottish Ministers shall decide how best to alleviate the effects of the Force Majeure Event or establish such alternative arrangements as the Scottish Ministers consider appropriate in the circumstances which may include terminating this Agreement (in whole or in part).
- 33.5 The Parties must, at all times following the occurrence of a Force Majeure Event, use all reasonable endeavours to prevent and mitigate the effects of such Force Majeure Event on the Services and CFL shall at all times during which a Force Majeure Event is subsisting take all steps to overcome or minimise the consequences of the Force Majeure Event.
- 33.6 The Party affected by a Force Majeure Event must notify the other Party as soon as practicable after the Force Majeure Event ceases or no longer causes such Party to be unable to comply with its obligations under this Agreement and the GIA Letter. Following such notification this Agreement must continue to be performed on the terms existing immediately prior to the occurrence of the Force Majeure Event, unless the Scottish Ministers have exercised their rights under Clause 9 (*Variations to the Services*).
- 33.7 If this Agreement is terminated as a result of a Force Majeure Event CFL shall comply with Clause 10 (*Handover Assistance*) to the extent possible in the circumstances.

#### **34. CFL'S STATUS**

- 34.1 Nothing in this Agreement or the GIA Letter establishes a contract of employment, a relationship of agency or partnership, or a joint venture between the Parties. Accordingly, neither Party is authorised to act in the name of, or on behalf of, or otherwise bind the other Party save as expressly permitted by the terms of the Agreement and the GIA Letter.
- 34.2 CFL shall not say or do anything that might lead any other person to believe that CFL is acting as the agent of the Scottish Ministers.

#### **35. NOTICES**

- 35.1 Any notice, or other communication, which is to be given by one Party to the other under this Agreement and the GIA Letter must be:
- 35.1.1 given in writing;
  - 35.1.2 addressed in accordance with Clause 35.3 below; and
  - 35.1.3 sent by letter (delivered by hand, first class post or by recorded delivery or special delivery) or email.
- 35.2 Provided the relevant communication is not returned or rejected as undelivered, the notice or communication is deemed to have been given:

- 35.2.1 two (2) Business Days after the day on which the letter was posted; or
- 35.2.2 four (4) Business Hours, being any time between 9:00am and 5:00pm on any Business Day, in the case of an email.
- 35.3 For the purposes of this Clause the address of each Party is:
- The Scottish Ministers**  
Transport Scotland  
Ferries Directorate  
177 Bothwell Street  
Glasgow G2 7ER;
- and
- Calmac Ferries Limited**  
Ferry Terminal  
Gourock  
PA19 1QP
- 35.4 Either Party may change its address details by serving a notice in accordance with this Clause.
- 35.5 Notices under Clause 35 may be sent to CFL's trustee, receiver, liquidator or administrator, as appropriate.
- 36. WAIVER**
- 36.1 No waiver is effective unless it is expressly stated to be a waiver and communicated to the other Party in writing in accordance with Clause 35 (*Notices*).
- 36.2 No failure or delay by either Party to enforce any provision of the Agreement and the GIA Letter, will prejudice or restrict the rights or remedies of that Party, nor will any waiver by any party of any of the requirements of this Agreement and the GIA Letter, or any of its rights or remedies under this Agreement and the GIA Letter or at law release either Party from full performance of their other obligations under this Agreement and the GIA Letter.
- 36.3 No failure or delay by either Party to enforce any provision of the Agreement and the GIA Letter will be deemed to result in that Party affirming this Agreement and the GIA Letter (unless that Party makes such an affirmation in writing in accordance with Clause 35 (*Notices*)).
- 36.4 No single or partial exercise of any right or remedy under this Agreement and the GIA Letter or at law will prevent any further exercise of the same right or remedy or any other right or remedy under this Agreement and the GIA Letter or at law.
- 36.5 A waiver given pursuant to Clause 36.1 of a breach of any of the terms of this Agreement and the GIA Letter will not constitute a waiver of any other breach and will not affect the other terms of this Agreement and the GIA Letter.
- 36.6 A waiver given pursuant to Clause 36.1 of a breach of any of the terms of this Agreement and the GIA Letter will only apply in the particular circumstances for which it is given and will not prevent the Party giving it from subsequently relying on the relevant provision in other circumstances or on another occasion.

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

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

### **37. SEVERABILITY**

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

### **38. THIRD PARTY RIGHTS**

38.1 This Agreement does not create any rights in favour of third parties to enforce or otherwise invoke any provision of this Agreement whether under the Contract (Third Party Rights) (Scotland) Act 2017 or otherwise.

### **39. ENTIRE AGREEMENT**

39.1 Except where expressly provided in this Agreement, this Agreement together with the GIA Letter constitute the entire agreement between the Parties in respect of all matters dealt with herein. The Agreement and the GIA Letter supersede all prior negotiations between the Parties and all representations and undertakings made by one Party to the other, whether written or oral regarding any matters dealt with in this Agreement and the GIA Letter.

39.2 CFL acknowledges that it has entered into this Agreement and the GIA Letter on the basis of their terms only and has not relied upon any statement or representation or warranty or other provision (in any case whether oral, written, express or implied) made or agreed by any person (whether a Party to this Agreement or not) except those repeated or referred to in this Agreement.

39.3 In the event of, and only to the extent of, any conflict between the Clauses of the Agreement, the Schedules and any document referred to in the Agreement, including the GIA Letter, the Scottish Ministers shall determine the order of precedence.

**40. GOVERNING LAW**

- 40.1 The Agreement and any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with it or its subject matter or formation shall be governed by and construed in accordance with Scots Law and the Parties irrevocably submit to the jurisdiction of the Scottish Courts.

**IN WITNESS WHEREOF** this Agreement and the Schedule in 14 Parts annexed hereto has been duly executed by the Parties as follows

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

Signature .....

Name .....

Position .....

Witness .....

Witness' full name .....

Witness' address .....

Date .....

Place (town) .....

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

Signature .....

Name .....

Position .....

Witness .....

Witness' full name .....

Witness' address .....

Date .....

Place (town) .....

FINAL - SIGNED ON 23/09/25

**This is the Schedule in 14 Parts referred to in the foregoing Agreement between the  
Scottish Ministers and CalMac Ferries Limited**

FINAL - SIGNED ON 23/09/25

## SCHEDULE PART 1 SERVICES

### 1. THE SERVICES

- 1.1 The Services include the Scheduled Ferry Services and Unscheduled Ferry Services
- 1.2 The Ferry Services comprise both **Scheduled** and **Unscheduled** public transport services by sea, including but not limited to the transport of passengers, accompanied and unaccompanied vehicles, unaccompanied goods, livestock lorries, and Dangerous Goods, between the Harbours and Ports and delivered from and onto quay. These services encompass all associated activities required in connection therewith, as set out in and/or required pursuant to this Agreement and may be varied in accordance with Clause 9 (*Variations to Services*). Scheduled Ferry Services refer to those services operated regularly in accordance with an agreed timetable and include the Freight Services. Unscheduled Ferry Services are provided in response to specific circumstances and special events that temporarily generate increased demand, including the Associated Lifeline Services. An illustrative but non-exhaustive list of such events and circumstances is set out in Appendix 1 to this Schedule Part 1.
- 1.3 The Scheduled and Unscheduled Ferry Services also include the transportation of Heavy freight and loose freight and parcels as defined separately by Scottish Ministers.
- 1.4 The CHFS network covers the west coast, from Campbeltown in the south to Stornoway in the north. The geographical area of operations and the Routes are shown in Figure 1 and Figure 2.

**Figure 1**

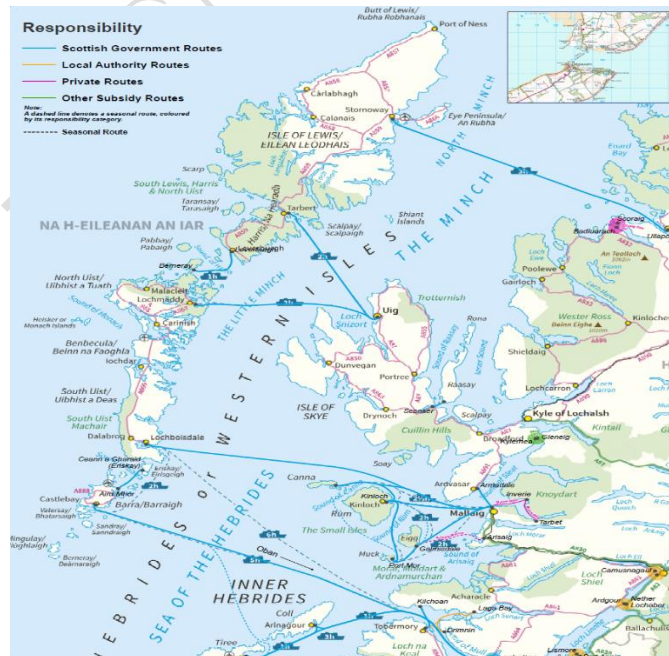


Figure 2



1.4.1 CFL shall provide the Scheduled Ferry Services and the Unscheduled Ferry Services in a safe, reliable, and efficient manner on the Routes required by Scottish Ministers (which as at the date of this Agreement are listed in the table below) and in accordance with the Timetable or as agreed with the Scottish Ministers.

Table 1

Routes		
Ardmhor (Barra) - Eriskay	Gourock - Kilcreggan	Oban - Colonsay
Ardrossan/Troon - Brodick	Kennacraig - Islay	Oban - Craginure
Ardrossan - Campbeltown	Kennacraig - Islay/C'say/Oban	Oban - Lismore
Berneray - Leverburgh	Largs - Cumbrae Slip	Sconser - Raasay
Claonaig – Lochranza (Summer only and Winter 2025/26)	Mallaig - Armadale	Tarbert LF - Portavadie
Colintraive - Rhubodach	Mallaig - Eigg/Muck/Rum/Canna	Tayinloan - Gigha
Fionnphort - Iona	Mallaig/Oban - Lochboisdale	Tobermory - Kilchoan
Fishnish - Lochaline	Oban - Castlebay	Uig - Tarbert/Lochmaddy
Gallanach - Kerrera	Oban - Coll/Tiree	Ullapool - Stornoway
Gourock - Dunoon	Oban - Coll/Tiree/Colonsay	Wemyss Bay - Rothesay



- 1.4.2 Unless otherwise specified all of the Routes noted are year-round passenger, vehicle and freight services.
- 1.4.3 Scottish Ministers reserve the right to introduce during the Grant Period additional services and Routes, within the CHFS network. This may include altering the tonnage.
- 1.5 The Services include:
- 1.5.1 The staffing of terminals and harbour facilities for the purposes of embarking and disembarking passengers, including those with disabilities or additional needs, loading and discharging of accompanied vehicles, unaccompanied vehicles, unaccompanied goods, livestock lorries and Dangerous Goods (as defined separately by Scottish Ministers).
- 1.5.2 Facilities for accepting reservations, issuing tickets and other relevant documentation and marketing the operation of a common timetable, ticketing and fares database for all Routes permitting reservation sales and credit card payments by telephone and internet as well as at CFL's office and through authorised agents.
- 1.5.3 The provision of a detailed internet website and smartphone “app” providing links to on-line information and reservation systems, seasonal timetables, a customer contact centre, variable notice boards to flag any disruptions and changes to the Services caused by bad weather, and the provision of real time information to passengers (through the website, smartphone app, on vessels and in Harbour offices and waiting rooms) and to road and public transport information systems for travellers to and from the Ferry Services, and the operation and servicing of the variable message boards at the following locations:
- Barra  
Claonaig  
Cumbræ  
Eriskay  
Fishnish  
Iona  
Kilchoan  
Leverburgh  
Lochaline  
Lochmaddy  
Lochranza  
Otternish  
Portavadie  
Rhubodach  
Sconser  
Tarbert (Harris)  
Tarbert (Loch Fyne)  
Tayinloan  
Broadford  
Fort William  
Skye Bridge

- 1.5.4 Noting that CFL shall undertake a review of the provision of all variable message boards within the context of the wider digital and technology strategies. Any recommendations for decommissioning message boards will be outlined within the annual business plan for TS approval.
  - 1.5.5 The active participation (including the adoption of logos and use of hyper-text link) of CFL in Traveline, Traffic Scotland and any other public transport information and/or journey planning website specified by Scottish Ministers in place of or in addition to either of them) and co-operation, with relevant tourist organisations and operators of train and local bus services and other ferry operators in the Clyde and Hebrides to achieve integrated timetables, facilitate integrated services, participate in marketing initiatives and promote linkage between the Services and other modes of transport in the Clyde and Hebrides;
  - 1.5.6 The operation of a passenger recording system (where applicable).
  - 1.5.7 The safe and efficient management and operation and maintenance of the Vessels including the provision of appropriate catering and all necessary administration facilities (all as more fully set out in Schedule Part 3 (Vessels and Ports)).
  - 1.5.8 The provision of Unscheduled Ferry Services, where operationally feasible (where reasonable and safe to do so) including additional sailings for the transport of livestock or for special events, or during or following disruption of services, as specified in Appendix 1 of this Schedule Part 1.
- 1.6 Additional requirements in respect of the Services, which will be delivered in accordance with the Additional Sailings decision making process where appropriate.
- 1.6.1 The Services shall be operated employing the name Caledonian MacBrayne in accordance with the Trademark Licence and the Heraldic Device Agreement and no other service name shall be employed without the prior consent of Scottish Ministers. Where, with the agreement of Scottish Ministers, CFL provides a vessel not being a Fleet Vessel then it will fly the house flag but will not require to be painted in the Caledonian MacBrayne livery.
  - 1.6.2 The Services whether on a scheduled or relief basis will include displaying the names of CMAL Vessels in both Gaelic and English as well as the provision of bi-lingual (Gaelic and English) announcements, literature, and signage in passenger areas of Vessels currently serving the following Routes:  
  
Stornoway - Ullapool  
Uig - Lochmaddy & Tarbert (Harris)  
Oban - Craginure  
Oban - Colonsay  
Oban – Colonsay – Port Askaig - Kennacraig  
Oban – Castlebay - Lochboisdale  
Oban – Coll & Tiree (including inter-island links to Barra)  
Islay - Kennacraig  
Berneray - Leverburgh  
Sconser - Raasay  
Oban - Lismore

Tobermory - Kilchoan  
Portavadie - Tarbert (Loch Fyne)  
Mallaig - Armadale, Run, Eigg & Muck

- 1.6.3 CFL shall participate fully in any integrated ticketing initiatives which are considered by Scottish Ministers to benefit the public as outlined in the Smart Ticketing section.
- 1.6.4 CFL shall liaise with rail and bus operators to seek contingency arrangements where possible in the event that sailings are delayed or cancelled.
- 1.6.5 In exceptional circumstances, CFL may (but is not required to) assess the possibility of offering additional and / or alternative modes of transport. Any such assessment shall take into account the reasonable community needs and include an appropriate costs and benefits analysis. CFL shall not be obliged to implement any additional and / or alternative modes of transport following such an assessment.
- (a) If the costs of providing alternative transport modes are cost neutral, CFL is permitted to act accordingly to ensure passengers are not overly inconvenienced.
  - (b) Otherwise, plans must be submitted to Scottish Ministers for review and consideration.
- 1.6.6 The Services include lifeline support to the emergency services as required and CFL will provide the emergency services with out of hours contact details for the purpose of providing this support.
- 1.6.7 CFL shall comply with Scottish Ministers out of hours resilience arrangements for notification, should an emergency occur.
- 1.6.8 The timetables for the Services will comprise of a combined Winter Timetable and a Summer Timetable. The Summer Timetable will apply for a minimum of 28 continuous weeks. The minimum duration of the Summer Timetable is from the first day of each Tariff Period (being the start of the majority of Scottish Easter school holidays or Good Friday of the Easter weekend, whichever is earlier) until the end of the majority of Scottish schools' half term break in October (usually the third Sunday in October). The Summer Timetable will start on a Friday and end on a Sunday. The Winter Timetable will apply for the remainder of the year.
- 1.6.9 CFL shall produce and distribute either an annual brochure or 6-monthly brochures in the form of electronic booklets, with hard copies made available on request, covering all Routes covered by the Services. The brochure must advertise timetables and booking information for all Routes and shall be published no later than October each year, setting out the impending Summer Timetable and fares and in the case of an annual brochure the immediately following Winter Timetable as well as timetable information for connecting public transport services. Where 6-monthly brochures are published they shall be published no later than the preceding April. For example, brochures that show the summer and winter timetables.

- 1.6.10 When proposing changes to the format of all timetables CFL shall consult with the Mobility and Access Committee for Scotland (MACS) to ensure suitability of the format for a diverse range of ferry users.
- 1.6.11 Each brochure required pursuant to paragraph 1.6.10 must include without charge timetables for other ferry services provided by local authorities and private operators in the Clyde and Hebrides. CFL must engage with local tourist boards and actively participate in local initiatives. CFL shall permit other organisations to advertise the relevant ferry services information in equivalent or relevant promotional channels. Where provided timetables must also be published on CFLs website and be available on-board Vessels, and in Harbour offices and waiting rooms.
- 1.6.12 The Services include a requirement on CFL to attend and contribute to meetings with Scottish Ministers in relation to Route and vessel development, where requested by the Scottish Ministers.
- 1.6.13 CFL shall agree with the Mobility Access Committee Scotland, appropriate intermodal transfer windows for each Port and allow such time within the timetables wherever possible, without negatively impacting on the delivery of the ferry services.
- 1.6.14 CFL shall provide the Services in accordance with Clause 5 (*Services*).
- 1.6.15 CFL shall comply with any statutory guidance issued or approved by Scottish Ministers relevant to transport.

## **2. SUMMER AND WINTER TIMETABLES**

- 2.1 CFL is responsible for designing and updating the Timetable to reflect community needs, operational conditions, service demand, stakeholder engagement, and user preferences, as set out in Clause 7 (Timetable). Winter 2025/26 timetables to be finalised before the Commencement Date, thereafter timetables will be finalised as per the milestones in Table 2. Following completion of the Islands Connectivity Plan (ICP) Community Needs Assessments (CNA) for individual Routes, as contemplated in Annex A of Schedule Part 11 (*Performance Review and Reporting*), CFL will work with Transport Scotland to appraise the options identified for each Route, and through consultation with local communities and stakeholders, will develop timetables that deliver the requirements set out by Scottish Ministers through the agreed timetable development process
- 2.2 CFL will take ownership of the Community Needs Assessment (CNA) process with effect from 2029, including conducting the assessments. This responsibility will be in collaboration with Scottish Ministers, who will maintain ownership of the overarching CNA methodology.
- 2.3 CFL will own and lead steps one to four of the CNA process, while steps five and six will be owned and led by TS in conjunction with Scottish Ministers (see Annex A). Steps one to four cover the analysis of performance data and the comparison of current services with identified community needs. Steps five and six cover the generation, appraisal, and costing of options to achieve closer alignment between needs and provision. This change aims to

optimise the use of the CFL's information and expertise in the assessment process as well as the CFL's understanding of operational and technical opportunities and constraints.

2.4 The summer and winter timetables should reflect the Scottish Ministers intentions on the delivery of the Islands Connectivity Plan, within the grounds of operational practicability.

2.4.1 At the start of each timetable development period, and not less than 8 months before the expected timetable commencement date, CFL shall agree with Scottish Ministers, delivery dates for each of the following key milestones.

- Initiation and completion of consultation
- Completion of impact assessments
- Scottish Ministers approval of proposed changes
- Timetable publication
- Availability of timetables for online booking

2.4.2 Once approved CFL shall publish these dates on their website and provide regular updates on progress throughout the timetable development process.

2.4.3 At the outset of the timetable development process, CFL shall engage with communities through an agreed consultation framework to identify any potential adjustments, ensuring that the services provided meet the needs of local communities, agriculture, industry, and tourism.

2.4.4 Additionally, CFL may propose timetable enhancements to improve service efficiency and effectiveness. CFL is permitted to implement such changes without Scottish Ministers approval, provided they have community support, which must be confirmed in writing. Any changes that do not have community support must be submitted to Scottish Ministers for approval. Scottish Ministers are unable to reasonably withhold approval where such adjustments are required to ensure compliance with all regulatory or legislative requirements.

2.4.5 Any requests for adjustments to service levels must include an assessment of potential impacts on demand, along with a cost impact evaluation. Scottish Ministers approval is mandatory for such changes.

2.4.6 CFL may implement timetable modifications without Scottish Ministers approval if they meet the following conditions:

- Operational feasibility is maintained
- The change is cost-neutral
- No alterations to vessel deployment or availability are required
- Compliance with Fatigue Management Rules is ensured

- 2.4.7 CFL shall notify Scottish Ministers in writing of any such changes.
- 2.4.8 Any amendments beyond those criteria outlined above will require formal Scottish Ministers approval, supported by a detailed cost-benefit and impact analysis.

### **Deliverables and Milestones**

- 2.5 CFL is required to provide all deliverables and meet all milestones outlined in Table 2. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 2**

Deliverable/Milestone	Delivery Date
2.5.1 At the start of each timetable development period, and not less than 8 months before the expected timetable commencement date, CFL shall agree with Scottish Ministers, delivery dates for each stage of the specified timetable development process.	Not less than 8 months before the expected timetable commencement date
2.5.2 Publish the timetable development dates on the website within 7 days of receipt and provide monthly updates on progress throughout the timetable development process.	Within 7 days of confirmation of timetable development dates then monthly

## **3. DEMAND AND CAPACITY MANAGEMENT**

- 3.1 CFL shall produce, publish, and implement a Demand and Capacity Management Plan to ensure short term and long-term forecasting of demand is undertaken.
- 3.2 The plan must encompass demand forecasting, capacity and Route optimisation, and analysis of previous carrying statistics. Additionally, it should inform the collaboration between CFL and Scottish Ministers to develop policy to manage demand and capacity. The plan should outline how excess demand will be managed, in line with the policies set out in the Islands Connectivity Plan, including community and stakeholder consultation, implementing measures and trials. It should also provide insights into effective and efficient methods, potentially differentiating between passenger and vehicle traffic provision, such as cars, coaches, and freight.

### **Deliverables and Milestones**

- 3.3 CFL is required to provide all deliverables and meet all milestones outlined in Table 3. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 3**

Deliverable/Milestone	Delivery Date
3.3.1 Demand and Capacity Management Plan to be produced, published and implemented	CP2 (October 2026)
3.3.2 Demand and Capacity Management Plan to be reviewed and amended	Annually

#### 4. CATERING AND RETAIL SERVICES

- 4.1 CFL shall produce, publish, and implement a Catering and Retail Services Plans to manage the delivery of catering and retail offerings across the network, as detailed in Table 4. These plans shall cover provisions both at ports/harbours and onboard Fleet Vessels and must be provided in both graphical and text-to-speech readable formats. CFL may propose additional deliverables and milestones for approval by the Scottish Ministers
- 4.2 The Catering and Retail Services section of the plan for each Route, should detail the facilities and approach to catering and retail provision, including:
- 4.2.1 the product range to be retailed and/or services to be provided;
  - 4.2.2 use of locally sourced products where feasible;
  - 4.2.3 the facilities proposed for self-service drinks and snacks not requiring site preparation;
  - 4.2.4 self-service hot food; and
  - 4.2.5 table service hot food.

#### Deliverables and Milestones

- 4.3 CFL is required to provide all deliverables and meet all milestones outlined in Table 4. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 4**

Deliverable/Milestone	Delivery Date
4.3.1 CFL shall produce, publish, and implement a Catering and Retail Services Plan (in graphical and in 'text to speech readable' format) showing the catering services at each port / harbour and on the fleet vessels – publishing online. (Menus available upon request) (including any updates made thereto).	Commencement Date and ongoing thereafter
4.3.2 CFL shall create maps indicating the location of individual producers and the types of products they	Commencement Date and ongoing thereafter

Deliverable/Milestone		Delivery Date
manufacture and make any necessary updates thereto.		
4.3.3	CFL shall endeavour to include SMEs and sustainability into their catering procurement strategy.	Commencement Date and ongoing thereafter
4.3.4	CFL shall produce detailed statements by vessel and Route showing retail revenue and expenditure	Monthly

## 5. DISRUPTION MANAGEMENT PLAN

5.1 CFL shall produce, publish and implement a Disruption Management Plan that encompasses the following:

- 5.1.1 Network and area-specific operational contingency plans. These contingency plans must consider Local Resilience Partnership(s) (LRPs) involvement, where appropriate. If necessary, these should be developed and exercised in partnership with the relevant LRP(s), setting out the role of CFL as part of the wider LRP response and utilised accordingly when required.
- 5.1.2 An up-to-date vessel/berth matrix outlining which vessels can be deployed to which routes and on what basis i.e. stern-only, tidally restricted etc.
- 5.1.3 Route Prioritisation Framework which specifies the vessel deployment decision-making processes to help direct services during major periods of disruption.
- 5.1.4 Processes used to measure forecasted demand during disruptions and mechanisms in place to identify and support any potential capacity shortfalls.
- 5.1.5 Processes for consulting on major changes with local community groups and how these changes are considered within the wider decision-making processes.
- 5.1.6 Localised traffic prioritisation processes that articulate how traffic will be prioritised during disruptions.
- 5.1.7 Details of the processes to ensure distribution of concise, accurate and understandable regionalised and specific customer communications, including the basis for deployment decisions.
- 5.1.8 Specific procedures or protocols for providing necessary documents and information in case of a need for a substitute vessel.

## 6. ASSOCIATED LIFELINE SERVICES

6.1 As part of the Services, CFL shall be required to respond to certain requirements for associated sea transport services in the Clyde & Hebrides which require to be supported by CFL employing Fleet Vessels. An illustrative non-exhaustive list of such events is set out below:

- 6.1.1 Commercial sailings for the Ministry of Defence vehicles that cannot be accommodated by a standard sailing in the Timetable.
- 6.1.2 extra sailings as required for Dangerous Goods.



- 6.1.3 vessel charters for relief purposes to local authorities providing ferry services on a commercial basis in the Clyde & Hebrides.
- 6.1.4 special sailings to Kerrera for a fuel tanker.
- 6.1.5 commercial sailings to convey abnormal loads, contractor's plant, generators and similar items.
- 6.1.6 or other instances as directed by Scottish Ministers, Emergency services or Coastguard.

## **7. PILOT PROJECT TRIALS**

- 7.1 CFL will engage with stakeholders on potential trial projects which should be assessed against deliverability and affordability. Following evaluation, CFL will engage with Transport Scotland on whether the scheme should be continued on a permanent basis and potentially expanded to other areas of the network.
- 7.2 Such opportunities can be developed and delivered as pilot projects to assess their feasibility and, where they are demonstrated to deliver the anticipated benefits, may be implemented on a wider or permanent basis.
- 7.3 All opportunities that are likely to incur significant additional costs, will be submitted through the annual business plan for the approval of Scottish Ministers.

## **Appendix 1 - Services**

Unscheduled Ferry Services referred to in paragraph 1.2 of this Schedule Part (should be subject to annual review by CFL & Scottish Ministers).

1. Mull Rally
2. Islay Show
3. Isle of Bute Jazz Festival
4. Rothesay Regatta
5. Isle of Bute Folk Festival
6. Mountstuart Motor Classic
7. Bute Highland Games
8. Bute Motorcycle Rally
9. Cumbrae Country & Western Festival
10. Millport Illuminations
11. Tiree Wave Classic
12. Royal National Mod week
13. Heb Celt Festival
14. Livestock sailings between Oban and Tiree (usually one in August, one in October and two in February)
15. Livestock sailings from Islay to mainland (usually one in April and two between October and December)
16. Extra sailings on Largs-Cumbrae Slip to clear traffic or accommodate Dangerous Goods
17. Colonsay Book Festival
18. Islay Whisky Festival
19. Tiree Music Festival

## **SCHEDULE PART 2**

### **FARES**

- 1.1. There are four main fares structures applicable to the Services:
  - 1.1.1. Passenger Fares
  - 1.1.2. (Non-commercial) vehicle fares
  - 1.1.3. Commercial Vehicle Tariff (which is applicable to commercial vehicles and, as appropriate, loose freight)
  - 1.1.4. Trade Tariff (which is applicable to coaches).
- 1.2. Full fare structures including any multipliers and surcharges by Route are required to be published by CFL on the CFL website. CFL shall maintain and provide a Fares Manual (non-public facing document) containing a list of all fares, how they are calculated and how they are applied and charging rules, including multipliers.
- 1.3. Passenger fares will be differentiated as adult fares, child fares for children of age between 5 and 15 years inclusive, which shall be 50% of the relevant adult fare, and infants of age less than 5 years which shall be zero.
- 1.4. Individual bicycles shall be carried free of charge when accompanied by a passenger.
- 1.5. Fares will be applied for each Tariff Period. Fares for the Tariff Periods 2025/26 will be published on the CFL website.
- 1.6. The Published Tariff Scheme (a selection of key fares to be published on CFL website) for the following year's summer and winter timetables shall be published by CFL alongside summer timetables by 31 October for 2026/27 (covering Summer 2026 and Winter 2026/27 timetable periods) and subsequent Tariff Periods the fares shall be adjusted in accordance with the Consumer Price Index (CPI) in the preceding May unless modified by Scottish Ministers or Scottish Ministers give their approval to an alternative structure proposed by CFL. Any increases, or reductions (including those relating to CPI) shall require the consent of Scottish Ministers.
- 1.7. The amounts calculated by applying the RET Formula or Tariff Index Linking to the Published Tariff Scheme for the immediately preceding Tariff Period must be rounded up to the next £0.05.
2. Transaction charges
  - 2.1. Proportional charges may be recovered from customers in relation to cancellations or amendments to bookings.
  - 2.2. Proportional charges shall be calculated based on a percentage of the total booking cost, reflecting the administrative and operational costs incurred by CFL due to such cancellations or amendments. Proportional charges shall reflect the timing and nature of the cancellation or amendment.
  - 2.3. The purpose of levying proportional charges is to seek to maximise deck capacity by discouraging short notice cancellations or amendments or non-fulfilment of bookings, while

also ensuring that CFL can recover reasonable costs associated with changes to bookings which may result in unused capacity.

3. Discounts and commissions
- 3.1. Scottish Ministers may direct, by the issue of a Variation Notice, the provision of certain discount or commission schemes. These include:
  - 3.1.1. Discount for groups/ special events.
  - 3.1.2. Integrated ticketing discounts.
  - 3.1.3. Commission for commercial travel agents.
- 3.2. CFL is required to facilitate ferry concession schemes operated by relevant local authorities and Regional Transport Partnerships, including:
  - 3.2.1. SPT (Strathclyde Partnership for Transport)
  - 3.2.2. The Highland Council
  - 3.2.3. Comhairle nan Eilean Siar (Western Isles Council)
- 3.3. Scottish Ministers require the provision of certain mandatory discount schemes which are listed below.
- 3.4. The following mandatory discount schemes are not separately funded by direct revenue replacement contribution.
  - 3.4.1. Blind persons concession: holders of a national entitlement card which has the eye symbol are entitled to concessions on ferry journeys throughout Scotland.
  - 3.4.2. Discounts for specified transport workers and former workers.
  - 3.4.3. A 25% discount on the non-commercial vehicle fare for a blue badge holder.
  - 3.4.4. 50% discount on coach fares for school buses, for primary and secondary school mini-buses (between 6.01 metres and 8.00 metres in length, including the driver fare) - helping school pupils' access educational, sporting, and cultural activities.
  - 3.4.5. Zero fare foot passenger tariff for Western Isles residents under the age of 22 on the Routes: Berneray/Leverburgh and Ardmhor/Eriskay.
- 3.5. The terms of the following mandatory discount scheme are controlled by Transport Scotland and this scheme is funded by re-imbursement by the concessionary travel unit, Transport Scotland.
  - 3.5.1. Older and Disabled Persons Scheme. National entitlement card holders, who are also resident in the Comhairle nan Eilean Siar area are eligible to receive vouchers for travel as foot passengers on up to 4 single journeys each year, which may be used on the following Routes:
    - 3.5.1.1. Castlebay (Barra) - Oban
    - 3.5.1.2. Lochboisdale (South Uist) – Oban
    - 3.5.1.3. Lochmaddy (North Uist) – Uig
    - 3.5.1.4. Mallaig – Lochboisdale

3.5.1.5. Tarbert (Harris) – Uig

3.5.1.6. Stornoway (Lewis) – Ullapool

3.5.2. Young Persons Scheme. Young Scot national entitlement card holders (for 16–21-year-olds and full-time volunteers under the age of 26), who are residents on the Scottish islands are eligible to receive vouchers for travel as foot passengers on up to 4 single journeys each year

3.6. Traders rebate scheme is granted to commercial vehicle operators who have a history of frequent use. It is calculated on a Route-by-Route basis for all operators and is subject to review by Scottish Ministers and CFL.

3.6.1. The rebate is calculated on the basis of a numeral which relates to CFL's annual estimated future turnover and proposed number of journeys.

$$\text{Numeral} = \frac{\text{Turnover}/1000}{\text{Rate per half metre}} \times \text{No. of journeys per year}$$

3.6.2. The numeral is being used as a first screening for the rebate rate that should be offered to commercial vehicle operators. The larger the numeral the higher the rebate rate. The rebate rates that apply vary between 2.5% and 15%. Therefore,

If numeral basis < 500, a 0 rebate

If numeral basis < 1,250, a 2.5% rebate

If numeral basis < 2,250, a 5% rebate

If numeral basis < 3,500, a 7.5% rebate

If numeral basis < 6,000, a 10% rebate

If numeral basis < 10,000, a 12.5% rebate

If numeral basis ≥ 10,000, a 15% rebate

### Deliverables and Milestones

3.7. CFL is required to provide all deliverables and meet all milestones outlined in Table 5. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 5**

Deliverable/Milestone	Delivery Date
3.7.1. CFL shall supply a Fares Manual and subsequently keep it under review.	First 3 months of Grant Period and reviewed annually thereafter
3.7.2. CFL shall propose to Scottish Ministers their proposed fares adjustments for the following Tariff Period.	Annually before 30 June
3.7.3. CFL shall supply and update the Published Tariff Scheme to Scottish Ministers.	Annually before 31 October

### **SCHEDULE PART 3 VESSELS AND PORTS**

#### **1. Fleet/Vessels**

- 1.1. CFL shall utilise all of the Fleet Vessels in the provision of the Services. Scottish Ministers reserves the right to introduce or remove Vessels during the Grant Period. The introduction or removal of CMAL owned tonnage shall comply with the Fleet Bareboat Charterparty.
- 1.2. The Fleet Bareboat Charterparty sets out the rights and responsibilities of CFL and CMAL in respect of the Fleet Vessels which are owned by CMAL.
- 1.3. CFL may include alternative vessel solutions, whether on a bareboat or time-charter basis. If these alternative vessels are to replace existing vessels within the fleet, CFL will appraise the options available of any proposed alternative vessels (which may include vessels out with the CHFS fleet) and deploy/cascade a vessel(s) to retain as near an equivalent level of service where possible, including passenger and/or vehicle carrying capacity and ability to operate the relevant elements of the Services.
- 1.4. Should CFL propose alternative vessels, Scottish Ministers shall require CFL to provide independent condition surveys.
- 1.5. Scottish Ministers or their agents / representatives shall have the right to attend each Vessel's dry docking. CFL shall manage the maintenance of each Vessel during the Grant Period. Vessels shall be maintained in accordance with good maintenance practice to be:
  - in an efficient state of repair;
  - in a safe operating condition; and
  - seaworthy in all respects,allowing for normal wear and tear having regard to the age and type of each Vessel.
- 1.6. CFL shall maintain the Vessels' condition throughout the Grant Period, in accordance with the Fleet Bareboat Charterparty Form of Agreement.
- 1.7. CFL shall work with Scottish Ministers and CMAL to review and participate strategic development of the CHFS network including attendance at the Network Strategy Programme Steering Group (NSPSG) and the Portfolio Prioritisation Group and Chair the Strategic Network Planning Forum, as well as any other groups required for the development of the CHFS network. This also includes the creation, maintenance or any replacement thereof all vessel and port asset management plans and investment plans.

#### **PART A: VESSELS**

2. The Fleet Vessels are as follows:

**Table 6**

	<b>Vessel</b>	<b>Entered service</b>	<b>Owner</b>	<b>Internal Classification</b>	<b>Type</b>
1	Isle of Cumbrae	1977	CMAL	Small	Ro-Pax
2	Isle of Arran	1984	CMAL	Major	Ro-Pax
3	Loch Linnhe	1986	CMAL	Small	Ro-Pax
4	Loch Riddon	1986	CMAL	Small	Ro-Pax
5	Loch Striven	1986	CMAL	Small	Ro-Pax
6	Loch Ranza	1987	CMAL	Small	Ro-Pax
7	Isle of Mull	1988	CMAL	Major	Ro-Pax
8	Lord of the Isles	1989	CMAL	Major	Ro-Pax
9	Loch Dunvegan	1991	CMAL	Small	Ro-Pax
10	Loch Fyne	1991	CMAL	Small	Ro-Pax
11	Loch Buie	1992	CMAL	Small	Ro-Pax
12	Loch Tarbet	1992	CMAL	Small	Ro-Pax
13	Caledonian Isles	1993	CMAL	Major	Ro-Pax
14	Isle of Lewis	1995	CMAL	Major	Ro-Pax
15	Loch Bhrosda	1996	CMAL	Small	Ro-Pax
16	Loch Alainn	1997	CMAL	Small	Ro-Pax
17	Clansman	1998	CMAL	Major	Ro-Pax
18	Lochnevis	2000	CMAL	Major	Ro-Pax
19	Hebrides	2001	CMAL	Major	Ro-Pax
20	Loch Portain	2003	CMAL	Small	Ro-Pax
21	Coruisk	2003	CMAL	Major	Ro-Pax
22	Bute	2005	CMAL	Major	Ro-Pax
23	Loch Shira	2007	CMAL	Small	Ro-Pax
24	Argyle	2007	CMAL	Major	Ro-Pax
25	AliCat	2000	DML	Workboat	Pax
26	Argyll Flyer	2001	DML	Workboat	Pax

	Vessel	Entered service	Owner	Internal Classification	Type
27	Chieftain	2007	Clyde Marine Services	Workboat	Pax
28	Finlaggan	2011	CMAL	Major	Ro-Pax
29	Hallaig	2013	CMAL	Small	Ro-Pax
30	Loch Seaforth	2014	CMAL	Major	Ro-Pax
31	Lochinvar	2014	CMAL	Small	Ro-Pax
32	Loch Frisa	2015	CMAL	Small	Ro-Pax
33	Catriona	2016	CMAL	Small	Ro-Pax
34	Carvorra	2017	CMAL	Workboat	Ro-Pax
35	Glen Sannox	2025	CMAL	Major	Ro-Pax

### 3. Replacement Vessels

The following vessels are on order and will require to be included as Fleet Vessels when available for delivery.

#### 3.1. Major Vessels

**Table 7**

Vessel/Owner	Vessel Replacement (subject to change)	Entering service*	Internal Classification	Type
Glen Rosa CMAL	Caledonian Isles (TBC)	April 2026	Major	Ro-Pax
Isle of Islay CMAL	Finlaggan (Retained for fleet resilience)	September 2025	Major	Ro-Pax
Loch Indaal CMAL	Hebridean Isles (Disposed of Nov 2024)	February 2026	Major	Ro-Pax
Lochmor CMAL	Caledonian Isles (TBC)	July 2026	Major	Ro-Pax
Claymore CMAL	Isle of Lewis (TBC)	December 2026	Major	Ro-Pax

\* Detail is subject to change and agreed via the Strategic Vessel Deployment, Redelivery and Cascade Plan



### 3.2. Small Vessels

In addition to the list above, there is a Small Vessel Replacement Programme. The vessels delivered as phase 1 in the current Small Vessel Replacement Programme are shown below, the vessel replacement is subject to change and will be agreed with Transport Scotland and CMAL through agreeing the Strategic Vessel Deployment, Disposal and Cascade plan.

**Table 8**

<b>Vessel</b>	<b>Vessel Replacement (subject to change)</b>	<b>Entering service*</b>	<b>Owner</b>
<b>SVRP 1</b>	Isle of Cumbrae	June 2027	CMAL
<b>SVRP 2</b>	Loch Ranza	October 2027	CMAL
<b>SVRP 3</b>	Loch Dunvegan	February 2028	CMAL
<b>SVRP 4</b>	Loch Buie	June 2028	CMAL
<b>SVRP 5</b>	Loch Linnhie	September 2028	CMAL
<b>SVRP 6</b>	Loch Riddon	December r 2028	CMAL
<b>SVRP 7</b>	Loch Striven	March 2029	CMAL

\* Detail is subject to change and agreed via the Strategic Vessel Deployment, Redelivery and Cascade Plan

The vessels delivered at additional stages of this programme are listed with approximate dates, those vessels are shown below:

**Table 9**

<b>Vessel</b>	<b>Vessel Replacement (subject to change)</b>	<b>Entering service* (approx.)</b>	<b>Owner</b>
<b>TBC</b>	Lochinvar	After April 2029	CMAL
<b>TBC</b>	Hallaig	After April 2029	CMAL
<b>TBC</b>	Loch Alainn	After April 2029	CMAL
<b>TBC</b>	Loch Portain	After April 2029	CMAL
<b>TBC</b>	Loch Fyne	After April 2029	CMAL
<b>TBC</b>	Catriona	After April 2029	CMAL

4. In conjunction with TS and CMAL, CFL should agree the provision of 1 ship in the major vessel fleet that is retained for hot layup to be deployed for relief purposes, to ensure resilience across the fleet. (Hot Lay-up in this context means that the vessel must be available to provide resilience if required. This means that the vessel must be operationally crewed to the desired passenger mode).

5. Proposals should also be submitted for resilience within the small vessel fleet. to provide extra availability to support and maintain service continuity in the event of disruption affecting any vessel.

#### **Fleet Vessels (Deployment)**

CFL shall deploy the Vessels to provide the Services as required by Clause 5 (*Services*).

6. CFL shall produce and implement a Strategic Vessel Deployment, Redelivery and Cascade Plan that encompasses matters including:
  - 6.1. how to make effective use of the fleet, delivering benefits to the communities by considering factors such as capacity, facilities, speed, and reliability;
  - 6.2. proposed deployment dates and Routes for new vessels coming into the fleet, taking account of aspects such as delivery dates, crew recruitment, crew training, vessel testing, berthing trial plans and contingency measures;
  - 6.3. dates and plans for vessel cascades including redeployment plans to revised routes;
  - 6.4. proposed removal dates accounting for the process for removal from service through to handover to CMAL in accordance with the Fleet Bareboat Charterparty; and
  - 6.5. vessels to be used for relief arrangements, denoting whether for scheduled relief or retention on a hot lay-up basis.
7. CFL shall ensure processes are in place to support development of this plan including Operational readiness plans for introducing new vessels into service - including crew training, vessel testing, berthing trial plans, and contingency measures. Following the introduction of a new vessel, CFL shall conduct a 'lessons learned' review, gather feedback from the local community and stakeholders, and provide regular updates to Scottish Ministers on the introduction progress.
8. Disposal plans for removal of vessels from service and return to CMAL - including plans for deployment of crew and removal of any operational or other equipment, and any other obligations or requirements set out in the Fleet Bareboat Charterparty Form of Approach to strategic lay-up that outlines the process for effectively managing vessels during periods of reduced demand or temporary inactivity, ensuring cost-effective preservation and quick reactivation as needed
9. The Strategic Vessel Deployment, Redelivery and Cascade Plan shall undergo formal review and to be agreed annually by Scottish Ministers in conjunction with CMAL.
10. Furthermore, the Strategic Vessel Deployment, Redelivery and Cascade Plan will be subject to periodic assessment during management review meetings. Should any alterations be necessary, a review process will be initiated, resulting in the timely revision and reissuance of the Strategic Vessel Deployment, Redelivery and Cascade Plan.

#### **Fleet Relief Plan**

11. A Fleet Relief Plan must be produced and submitted by CFL if requested by Scottish Ministers. The plan shall include 2 of the following:
  - 11.1. Identification of suitable vessels.

11.2. Risk assessment and mitigation.

11.3. Operational procedures

### **Fleet Interoperability Strategy**

12. CFL shall work with CMAL to develop and implement a Fleet Interoperability Strategy, that outlines but is not limited to, the strategy needed to increase interoperability of the fleet, the measures required to do so, an action plan with deliverables and the measures of performance against the strategy.

### **Deliverables and Milestones**

12.1. CFL is required to provide all deliverables and meet all milestones outlined in table 10. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 10**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
12.1.1. Produce and implement a Strategic Vessel Deployment, Redelivery and Cascade Plan	Commencement Date and reviewed no less than annually thereafter
12.1.2. Produce, publish and implement a Disruption Management Plan	Within first six months of financial year

### **Fleet Vessels (Investment)**

13. CFL shall provide a list of proposed investment in facilities for each Fleet Vessel by October 2026 and repeated each year thereafter. The list, at minimum, must include:

13.1. Value of investment

13.2. Purpose of investment

13.3. Timeline of investment

13.4. Availability consequences of implementing investment

### **Deliverables and Milestones**

13.5. CFL shall provide a list of proposed investment in facilities for each Fleet Vessel by October 2026 and repeated each year thereafter.

**Table 11**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
13.5.1. CFL shall provide a list of proposed investment in facilities for each Fleet Vessel.	CP2(October 2026)

## **PART B: SCHEDULED MAINTENANCE PROGRAMME FOR VESSELS**

1. The Scheduled Maintenance Programme will ensure that the operation of the Services shall be self-relieving by Cascade (i.e. maintained by the redeployment of Vessels otherwise surplus to the requirements of the Timetable) and CFL shall carry the anticipated demand during periods of Scheduled Unavailability. If this cannot be achieved for any reason and the maintenance of the requirements of the Timetable requires the provision of a replacement Vessel, then CFL shall propose an additional vessel during these periods and the suitability of any such proposed vessel will be subject to the approval of Scottish Ministers. Once approved, any such proposed vessel will become a Vessel for the purposes of this Agreement.
2. It is CFL's responsibility to provide all fleet relief for the duration of the Agreement. CFL shall make best endeavours to ensure that scheduled maintenance, dry dockings and unforeseen breakdowns are managed in a manner to ensure continuity of the Services. Where there are circumstances where full fleet relief cannot be achieved, the Route Prioritisation Framework, as set out in the Disruption Management Plan, should be used to determine where services should be directed.
3. Fleet relief arrangements should cover periods of planned overhauls, periods during which Vessels are unable to provide the service and unforeseen circumstances such as breakdowns or damage.
4. In relation to fleet relief arrangements CFL must demonstrate to the satisfaction of Scottish Ministers its use of best endeavours to ensure that service delivery is maintained where reasonably possible. CFL shall minimise lost sailing time for vessels moving to and from dry-docks for annual overhauls and repairs to ensure minimum service disruption.
5. CFL must demonstrate best endeavours to the satisfaction of Scottish Ministers to minimise the consecutive cancellation of sailings as far as possible.
6. CFL shall apply a risk-based maintenance approach across the asset base, ensuring maintenance and inspection activities are focused on the key risk assets to maintain continuation of service.
7. As part of the scheduled maintenance programme, CFL shall ensure each vessel has adequate scheduled maintenance time built into timetables. This may require timetable changes to be discussed with TS/Scottish Ministers as part of the routine timetable development process.
8. CFL should produce, publish, implement, and maintain a Strategic Asset Management Plan for Vessels. This Plan should detail whole lifecycles of transferring assets including acquisition, operation, maintenance, and end-of-life interventions. This Plan should be produced in collaboration with CMAL and Scottish Ministers and be subject to the oversight of the NSPSG.
9. CFL should procure an Asset Management System in collaboration with CMAL.

### **Scheduled Maintenance Plan**

10. CFL shall produce, and maintain a Scheduled Maintenance Plan in accordance with the ISM code which must encompass, but not limited to, the following:
  - I. A comprehensive list of the scheduled maintenance plan categorised by each vessel within the fleet.

- II. Implementation of an effective risk-based maintenance strategy aimed at ensuring the continuous operational readiness and longevity of the vessels.
- III. Application of spare parts optimisation and review of supply chain options.
- IV. Evaluation to determine benefits of expansion of “in-service exchange” beyond the application for a manufacturing executing system and other replaceable systems.
- V. Deploy a robust condition-based monitoring system to proactively identify and address potential maintenance issues.
- VI. Develop a comprehensive reporting mechanism to communicate significant maintenance issues to CMAL. Clearly distinguish between the owner’s upgrades, major refits, and obsolesce concerns.
- VII. Ensure strict adherence to the applicable classification rules governing the operation and maintenance of maritime assets.
- VIII. Conduct timely and thorough surveys as required by the Lloyds Register of Shipping to maintain compliance and uphold industry standards.
- IX. Maintain compliance with the regulations set forth by the Maritime and Coastguard Agency (MCA).
- X. Acquiring an asset management system, while collaborating with CMAL and Scottish Ministers in development of the specification.

#### **Deliverables and Milestones**

- 10.1. CFL is required to provide all deliverables and meet all milestones outlined in table 12. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 12**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
10.1.1. Produce, and maintain a Scheduled Maintenance Plan	Commencement Date, updated Annually thereafter
10.1.2. Report on maintenance issues to CMAL, clearly identifying where they are owner’s upgrades, major refits, or obsolescence issues	Ongoing
10.1.3. Liaise with CMAL and Scottish Ministers on significant vessel maintenance and upgrade plans	Ongoing
10.1.4. Comply with classification rules	Commencement Date
10.1.5. Carry out the relevant Lloyds Register of Shipping inspection surveys	Annually and/or as otherwise required
10.1.6. Maintain compliance with Maritime and Coastguard Agency (MCA) requirements	Commencement Date and ongoing thereafter

Deliverable/Milestone	Delivery Date
10.1.7. Procure an asset management system	End CP3
10.1.8. Produce, publish, implement, and maintain and update a Strategic Asset Management Plan for Vessels	Within first 6-months of first Financial Year, updated annually thereafter
10.1.9. Use in-water survey periods where possible and operationally feasible to reduce out of service periods	As necessary
10.1.10. Carry out a review of mobile maintenance teams to determine their feasibility and cost efficiency	CP2

## PART C: PORTS AND HARBOURS

- 1.1. For the purposes of this Agreement the terms Port and Harbour shall be interchangeable.
- 1.2. References herein to a Harbour or Port apply to each and/or all of the Harbours and/or Ports, as appropriate.
- 1.3. The Harbours are:

**Table 13**

Harbours Owned by CMAL	Harbours
	Armadale
	Brodick
	Castlebay
	Claonaig
	Colintraive
	Coll
	Colonsay
	Cumbræ
	Fishnish
	Kennacraig
	Kerrera Berthing Structure
	Kilchoan
	Largs
	Lochaline
	Lochboisdale
	Lochranza
	Oban
	Port Ellen
	Portavadie
	Rhubodach (Isle of Bute)
	Tarbert (Harris)
	Tiree

	Tobermory
	Wemyss Bay
	Gourock
	Gallanach
Other Harbours – Harbour Authority	
Associated British Ports	Troon
Peel Ports - Clydeport	Ardrossan
Argyll and Bute Council	Campbeltown
	Rothesay
	Port Askaig
	Craignure
	Fionnphort
	Iona
	Gigha
	Tayinloan
	Lismore
	Kilcreggan
	Dunoon
	Jura
Comhairle nan Eilean Siar	Ardmhor
	Berneray
	Eriskay
	Leverburgh
	Lochmaddy
	Otternish (overnight berth only, no ferry services).
Highland Council	Eigg
	Muck
	Raasay
	Sconser
	Uig
	Rum
Mallaig Harbour Authority	Mallaig
National Trust for Scotland	Canna
Tarbert (Loch Fyne) Harbour Authority	Tarbert (Loch Fyne)
Ullapool Harbour Trust	Ullapool
Stornoway Port Authority	Stornoway

## Harbour Access

2. Harbour Access
  - 2.1. CFL shall be responsible for negotiating with the Harbour Authorities all arrangements necessary for safe access to the respective Harbour, use of Harbour infrastructure and facilities and to ensure the effective performance of the Ferry Services.
  - 2.2. CFL shall endeavour to enter into harbour access agreements with third-party harbour authorities. The securing of harbour access agreements will be mandated as a requirement by

TS in the instances where funding is provided by Scottish Ministers for infrastructure upgrades to third-party ports. These agreements shall ensure:

- 2.2.1. Priority access for CFL to access the harbour in support of the delivery of services in accordance with CHFS3 and that facilities are maintained in compliance with the Port Marine Safety Code, as amended, and relevant legislation, as amended.
- 2.3. CFL shall maintain and monitor annual harbour and pier dues increases to ensure they are reasonable and comply with applicable legislation.
- 2.4. CFL shall provide TS with monthly reports on the status of critical defects impacting on the delivery of the Agreement. This data shall be published accordingly.
- 2.5. Access to the Harbours for the purpose of providing the Ferry Services will be regulated by these harbour agreements where available.
- 2.6. CFL shall endeavour to define and implement a third-party harbour agreement plan which will include:
  - 2.6.1. The contracting strategy to define how CFL will enter into contract with each Harbour.
  - 2.6.2. A standardised agreement template to be used across all harbour agreements.
  - 2.6.3. The standardised agreement to include:
    - 2.6.4. Detailed obligations
    - 2.6.5. Claims and disputes procedure.
    - 2.6.6. Reporting and monitoring process of harbour agreements.
- 2.7. CFL shall take all reasonable steps to mitigate the consequences of any increases 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. CFL shall also pursue any action reasonably requested by the Scottish Ministers until the Scottish Ministers are satisfied that the increases are reasonable.
- 2.8. CFL shall report on the harbour access agreements they have in place for each harbour, including a copy of each harbour agreement, within 10 Business Days of the request by Scottish Ministers.
- 2.9. CFL shall meet with each Harbour Authority, including CMAL, across the CHFS network on appropriate frequency to discuss issues, review operations, and make necessary adjustments and renewals to the agreements. Annually, or more frequently as required, CFL shall keep Scottish Ministers informed of the outcome of the meetings.
- 2.10. In circumstances where CFL undertake harbour operations on behalf of third-party Harbour Authorities, CFL shall ensure formal harbour operating agreements are established and executed. Such agreements shall specify the scope and nature of the services to be delivered, delineate CFL's obligations, those of the respective Harbour Authority, and detail the financial arrangements such as service and access charges, invoicing terms, and payment schedules.



- 2.11. CFL shall procure the provision of all facilities in port or harbour as necessary to ensure that the Services can be delivered efficiently and effectively.
  - 2.12. CFL will be required to undertake all Harbour operations and Port service activities in line with the requirements of the relevant Harbour Authorities' operations and safety management systems and in line with industry best practice.
  - 2.13. Each Port is an integral part of the community it serves and there may be additional activities which CFL is required to provide in order to maintain the lifeline services to the affected communities irrespective of whether it received remuneration from a third party.
  - 2.14. The Fleet is supported by shore infrastructure adequate to deal with Vessel operations, passenger handling and the loading, carriage and discharge of cars, commercial vehicles, loose freight, Dangerous Goods and livestock containers. The Services operate from Harbours and Ports consisting of a variety of piers and slipways, including linkspans, vehicle marshalling areas, passenger facilities and other buildings.
  - 2.15. CFL shall ensure that suitable measures are in place at each of the Harbours in order to effectively deliver the Services.
3. Fuel
    - 3.1. The majority of fuel (MGO & LNG) for the Fleet is delivered by road tanker as and when required. In addition, there are fuel tanks situated at some of the Ports and Harbours which are presently available for use by CFL. CFL shall satisfy itself in relation to the storage of fuel at Harbours and the continued access to the relevant Harbour facilities and infrastructure.
    - 3.2. Lube oil and fuel oil tanks are also situated at certain Harbours and are presently available for use by CFL. CFL shall satisfy itself in relation to the storage and use of lube oil and fuel oil tanks at the Harbours.
    - 3.3. CFL may propose or be required to enter into a fuel hedging arrangement at any stage during the Grant Period. Any such arrangement will require Scottish Ministers approval.

### **Deliverables and Milestones**

- 3.4. CFL is required to provide all deliverables and meet all milestones outlined in table 14. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 14**

Deliverable/Milestone	Delivery Date
3.4.1. CFL shall endeavour to enter into harbour access agreements with third-party harbour authorities.	Commencement Date
3.4.2. CFL shall monitor annual harbour and pier dues increases to ensure they are reasonable and comply with applicable legislation.	Ongoing
3.4.3. CFL shall provide TS with and publish monthly reports on	Monthly

Deliverable/Milestone	Delivery Date
the status of critical defects impacting on the delivery of the Agreement.	
3.4.4. Performance monitor, review and benchmark. CFL shall test value for money with each port owner through a regular formal performance review meeting.	Once every six months
3.4.5. Conduct a series of port facility health checks against CFL quality management system and port operating manual.	As necessary, minimum once per year
3.4.6. CFL to inform and update Scottish Ministers outcomes of meetings with each Harbour Authority.	Annually
3.4.7. Development of a third-party Harbour Operating Agreement plan	Start of Contract

#### Port Facilities Available to Customers

4. CFL shall outline the planned facilities exclusively intended for customers at each Port.
- 4.1. Separate listings must be provided by CFL for each Port, categorised as CMAL Harbours and other Harbours describing, but not limited to:
  - I. Passenger waiting rooms (capacity, toilets, heating, lighting, catering and disability adaptation)
  - II. Lighting, CCTV and other personal safety measures in and around the site
  - III. Catering facilities
  - IV. Arrangements for returning lost property.
  - V. Real time information boards for ferry services and onward and connecting travel modes.
  - VI. Passenger access provisions to board the vessels.
  - VII. Vehicle marshalling spaces (car, coach and HGV)
  - VIII. Longer term parking areas (car, coach and HGV along with any restrictions, charges and time constraints)
  - IX. Freight handling facilities
  - X. Wi-Fi infrastructure
  - XI. Facilities for walking (including those with reduced mobility), wheeling<sup>1</sup> and cycling.
  - XII. Facilities for shared transportation (cycle hire, car hire, community transport).
  - XIII. Information to support onward connectivity.

<sup>1</sup> Refers to travelling by wheelchair.

### Deliverables and Milestones

- 4.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 15. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 15**

Deliverable/Milestone	Delivery Date
4.2.1. CFL to outline the facilities at each port, exclusively intended for customers	1 month after Commencement Date.
4.2.2. CFL to supply, maintain and monitor a list of facilities at each port	Annually from the Commencement Date.

### Port Facilities Available in Emergencies

5. CFL shall specify the alternative mainland ports available when the specified ports become unreachable as a result of emergency situations arising while Vessels are at sea. A separate listing of alternative mainland ports for each service Route should include details on, but not limited to:
- I. Capability to disembark passengers.
  - I. Capability to disembark cars and RoPax freight.
  - II. Capability to discharge loose freight.

### Deliverables and Milestones

- 5.1. CFL is required to provide all deliverables and meet all milestones outlined in Table 16. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 16**

Deliverable/Milestone 3.4.	Delivery Date
5.1.1. CFL to outline the alternative mainland ports.	1 month after Commencement Date, annually thereafter.
5.1.2. CFL shall ensure drill scenarios reviewed, tested and embedded in the passage planning framework. <ul style="list-style-type: none"><li>○ CFL shall ensure that alternative ports are included in the passage plans.</li><li>○ Business Continuity plans to reflect the utilisation of alternative ports.</li></ul>	Commencement Date and Ongoing
5.1.3. Alternative mainland ports list to be maintained and updated when changes are made to the vessels or ports.	Once every six months
5.1.4. Alternative mainland ports tested and confirmed	As necessary, minimum once per

when vessels redeployed, or new vessels introduced	year
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#### **PART D: ASSETS REGISTER**

1. A list of Assets will be developed jointly by CFL in consultation with TS within three months of the Commencement Date to provide an Asset Register.
2. CFL shall conduct a full condition-based review of all Assets at least once every Financial Year.

#### **Deliverables and Milestones**

3. CFL is required to provide all deliverables and meet all milestones outlined in Table 17. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 17**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
3.1. Develop Asset list	Within 3 months of the Commencement Date
3.2. CFL conduct a full condition-based review of Assets.	Annually

## SCHEDULE PART 4 MARKETING AND TICKETING

### Marketing Plan

1. CFL shall produce, publish, and implement a Marketing Plan outlining the necessary resources to effectively execute the Marketing Plan.
- 1.1. The Marketing Plan should include but is not limited to:
  - 1.1.1. Data-informed omni-channel marketing campaigns that inspire, educate and inform existing and potential travelers.
  - 1.1.2. Activity linked to tourism, island and known calendar events which appropriately manage flow to and from the network.
  - 1.1.3. Plans to react to rises and falls in travelers or other impacts on the service in a proactive way.
  - 1.1.4. Partnership promotions across relevant channels with stakeholders and appropriate third parties.
  - 1.1.5. Measurement and reporting of impact and cost-effectiveness of all activity.
  - 1.1.6. Staff and resources are proposed to develop, implement, and update the plan fully.

### Deliverables and Milestones

- 1.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 18. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 18**

Deliverable/Milestone	Delivery Date
1.2.1. CFL shall produce, publish, implement and provide a Marketing Plan every year to Scottish Ministers.	Annually with effect from the Commencement Date
1.2.2. CFL shall ensure pricing and concessions are prominent in marketing communications	Ongoing
1.2.3. CFL shall endeavour to have co-operation with complementary tourism, transport and economic services provided by local businesses	Ongoing
1.2.4. CFL shall transparently communicate all ticketing options and concessions as per the Agreement, through all channels.	Ongoing
1.2.5. CFL should regularly review and amend their conditions of carriage as appropriate.	Ongoing
1.2.6. CFL shall develop and test a number of promotional options that may help to manage demand.	Ongoing

Deliverable/Milestone	Delivery Date
1.2.7. CFL shall create a rolling annual calendar of anticipated events and festivities.	Ongoing
1.2.8. CFL should review the effectiveness of marketing activities.	Ongoing

### Booking System

2. CFL shall operate a central information and reservations system for the Services for the Grant Period that shall be fit for ferry users' purposes. The system CFL shall utilise for bookings is E-Booking unless otherwise agreed by Scottish Ministers. CFL will be expected to work alongside the technical service provider to continue to maintain and refine the services, ensuring ongoing improvements for passengers.

### Smart and Integrated Ticketing

3. CFL shall produce, publish, and implement a comprehensive plan for implementing Smart and Integrated Ticketing including utilising the SM E-Booking System. This will comply with Scottish Ministers statutory guidance for ticketing.
  - 3.1. The plan should be developed with the information included in this paragraph 3 and in paragraph 4 below.
  - 3.2. CFL should note that a key part of the ticket provision for this Agreement will revolve around smart and integrated ticketing and payment, including the expansion of smart concessionary travel to ferry services, and enhancing data flows to the Digital Travel Data Services (travel data hub used by Traveline Scotland and other 3<sup>rd</sup> party journey planners).
  - 3.3. The Scottish Ministers vision is: *"To increase the use of sustainable public transport by providing smart and integrated ticketing, payment, and journey planning data enhancements, contributing to a healthier, fairer and more prosperous Scotland"* Scottish Ministers have an established Smart Delivery Strategy for the deployment of smart and integrated ticketing across Scotland which was refreshed in 2024. This highlights the requirement for smart, integrated ticketing and payment to be available, affordable and accessible across all modes of transport and it is expected that CFL will actively support and work towards this vision.
  - 3.4. In this Schedule Part, 'smart' means non-paper and / or cashless travel (e.g. using your bank card to 'tap in / out' of a journey). In Scotland this means using a micro-chipped smartcard, mobile app ticket or contactless payment for travel purposes.
  - 3.5. CFL will be required to work with Regional Transport Partnerships, local authorities and public transport operators of other smart ticketing arrangements, schemes, and systems within the CHFS area (as set out in Figures 1 and 2 in Schedule Part 1) who may have already, or wish to implement, smart multi-modal ticketing schemes. CFL shall not unreasonably withhold consent to such propositions.
  - 3.6. CFL is required to establish and maintain a partnership with ScotRail to enable delivery of integrated ticketing, and other improvements, for a better integrated public transport network. It is expected that similar partnership or agreements will be entered into with further public transport operators to expand on the benefits that these partnerships will bring to the passenger.
  - 3.7. CFL should develop a ticketing delivery plan in line with the aspirations and aims detailed in the 2024 Smart Delivery Strategy.

- 3.8. CFL should participate in, and lead when instructed by Scottish Ministers, collaborative, multi-modal forums and initiatives, including, for example, the National Smart Ticketing Advisory Board, Operators Smart Steering Group, CFL Smart Steering Group, and the ScotRail/CHFS CFL partnership.

## **Deliverables and Milestones**

### **Provide Smart Integrated Ticketing (Rail and Bus)**

#### **Overarching Requirements:**

- 3.9. CFL is required to work with ScotRail to retail and provide Rail & Sail ticketing on a smart platform that aligns with ScotRail and Scottish Ministers interoperable smart ticketing and payment requirements. This could include ITSO, barcode, MaaS and other future smart ticketing platforms as they emerge, for example contactless payment as a token for travel. In addition, the coverage of Rail & Sail tickets should increase to cover all connecting rail and Routes.
- 3.10. To encourage increased public transport use by visitors, CFL should lead work with other public transport operators to reintroduce CHFS services to the previously removed integrated tourist tickets, including ‘Scottish Grand Tour’, ‘Highland Rover’ and ‘Spirit of Scotland’ tickets, and similar integrated tourist tickets, including tourist tickets with other operators such as West Coast Motors. CFL should also work with other public transport operators to provide these tourist tickets on a smart platform.
- 3.11. CFL shall establish ticketing reporting metrics to be agreed with Scottish Ministers by 6 months of the date of Agreement commencement to measure the sales of these tickets.
- 3.12. CFL is required to provide all deliverables and meet all milestones outlined in Table 19, subject to full participation from all relevant stakeholders, as required. Additionally, CFL may propose additional deliverables and milestones for approval by the Scottish Ministers.

**Table 19**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
3.12.1. CFL to utilise Scottish Ministers booking system, E-Booking System	Ongoing
3.12.2. CFL to produce, publish, and implement a Smart and Integrated Ticketing Plan	First Quarter, first Financial Year and reviewed annually thereafter
3.12.3. CFL shall ensure that smart ticketing is available for all CHFS ticket types from the commencement of the Agreement, unless by exception listed.	Commencement Date
3.12.4. CFL shall establish ticketing reporting metrics to be agreed with Scottish Ministers	6 months from Agreement commencement
3.12.5. Retail and accept paper Rail & Sail and tourist tickets for at least routes; Mull, Skye and the Outer Hebrides: Travel from stations	Stage 1 (12 months)

Deliverable/Milestone	Delivery Date
<p>in Scotland to:</p> <ul style="list-style-type: none"> <li>• Craignure on Mull via Oban</li> <li>• Castlebay on Barra via Oban</li> <li>• Lochboisdale on South Uist via Oban</li> <li>• Armadale on Skye via Mallaig</li> <li>• Stornoway on Lewis via Inverness, and a coach from Inverness to Ullapool</li> </ul> <p>The Clyde Coast: Travel from stations in Scotland to:</p> <ul style="list-style-type: none"> <li>• Dunoon (Cowal) via Gourock</li> <li>• Rothesay (Bute) via Weymss Bay</li> <li>• Brodick (Arran) via Ardrossan/Troon Harbour (Temporarily)</li> <li>• Campbeltown via Ardrossan Harbour</li> <li>• Cumbrae via Largs</li> </ul>	
3.12.6. Confirm the tourist tickets that were accepted by CFL in 2019 and restore tourist ticket paper acceptance for the Routes to at least that provision.	Stage 1 (12 months)
3.12.7. Establish a working group, which meets at least monthly until the project is delivered, with ScotRail, Scottish Ministers and Hitrans and public transport operators.	Stage 1 (12 months)
3.12.8. Agree scope for feasibility study (to commence in Stage 1) to provide a single digital Rail & Sail ticket and digital integrated tourist tickets without the need for passenger to show multiple tickets, and that can be retailed by any party. Delivery of a single interoperable barcode standard will be developed via work of the Scottish National Smart Ticketing Advisory Board and the UK wide Smart Transport Advisory Group; this requirement should be cognisant of the work being undertaken by these groups.	Stage 1 (12 months)
3.12.9. Increase Rail & Sail offering by including all routes. Routes that connect with the following rail stations - Ardrossan Harbour, Largs, Wemyss Bay, Gourock, Oban, Mallaig, Ullapool (via coach to Inverness).	Stage 2 (24 months)



Deliverable/Milestone	Delivery Date
3.12.10. CFL shall ensure all Rail & Sail tickets are available in some form of smart ticketing via a single transaction, as; a) two separate digital tickets (rail and ferry) hosted in a single app via a single purchase – or a single barcode ticket should this be available in future as noted in 3.12.13; b) a Rail & Sail ticket on an ITSO smartcard.	Stage 2 (24 months)
3.12.11. Commence with Scottish Ministers and agreed stakeholders the feasibility study, outlined in 3.12.8.	Stage 2 (24 months)
3.12.12. Report on the feasibility study with ScotRail, commenced in 3.12.8	Stage 2 (24 months)
3.12.13. Establish a single digital Rail & Sail ticket and tourist tickets, without the need to show multiple tickets, that can be retailed by any party within a timeframe agreed with Scottish Ministers.	Stage 3 (36 months)

### **Booking and Travel Information APIs for Third Parties (e.g. MaaS Apps)**

#### **Deliverables and Milestones**

- 3.13. CFL is required to provide all deliverables and meet all milestones outlined in Table 20, subject to full participation from all relevant stakeholders, as required. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 20**

Deliverable/Milestone	Delivery Date
3.13.1. CFL is to provide booking retail, journey planning and real time travel Information APIs for third parties	In first Financial Year.
3.13.2. Seek to innovate and improve on open data information provision, as pertains to Scottish Ministers aspirations to support better passenger information, for example, automated accessibility, facilities or carbon emissions data.	In first Financial Year.
3.13.3. Provide open API feeds from the ferry CFL system, including to Traveline Scotland, to provide timetable, route and disruptions information. Agree with Scottish Ministers and Traveline Scotland the data standard and data integration for this.	Stage 1 (12 months)
3.13.4. Provide open automated fares data to Traveline Scotland for all passenger fares and journeys, including integrated ticket fares.	Stage 2 (24 months)

Deliverable/Milestone	Delivery Date
3.13.5. Commence a feasibility study on real-time vessel monitoring to provide real-time and estimated arrival and departure times, as well as real-time capacity of services and for this data to be open for third parties and Traveline Scotland.	Stage 2 (24 months)
3.13.6. Report on the feasibility study on real-time vessel monitoring to provide real-time and estimated arrival and departure times and capacity information.	Stage 2 (24 months)

### **Provide Open Data APIs to Automatically Update for Traveline Scotland Systems or other third-party providers.**

- 3.13 CFL is to Provide Open Data APIs (Fares, Timetable, Location/Realtime, Disruption, Retail) to Automatically Update for Traveline Scotland Systems and other users. These should meet most recent Ferry Gateway standards or equivalent as agreed with Scottish Ministers.
- 3.14 Scottish Ministers have procured a new Digital Travel Data Service<sup>2</sup> for Traveline Scotland and other third-party journey planners, which enhances data collection and processing to deliver enhanced journey planning open data, including on timetable, fares and real time information. In addition, Scottish Ministers are also progressing development of open data legislation for bus operators to increase the quality and consistency of bus open data on timetable, fares and real time information. As such, Scottish Ministers expect CFL to provide enhanced travel data to align to these wider improvements in journey planning data.
- 3.15 CHFS data on fares and timetables is currently only available in a PDF/printed format which, whilst openly available to the public, makes automatic updates for third party journey planners impossible. Traveline Scotland is required to manually update all ferry service information to be available for their system, which is in turn openly available for use by third party journey planners.
- 3.16 To bring the ferry services in line with other modes, CFL should provide an open E-Booking data API including timetable and fares data, meaning data via journey planners would be more up to date and more reactive to short notice changes.
- 3.17 Furthermore, to enhance journey planning, CFL should openly provide real time information for services, including real time (and estimated real-time) departure and arrival times, real time capacity information, and on disruption information. This real time and disruption information would also feed via API to Traveline Scotland, and other third-party journey planners allowing for information, retail and fulfilment exchange.

### **Deliverables and Milestones**

- 3.18 CFL is required to provide all deliverables and meet all milestones outlined in Table 22, subject to full participation from all relevant stakeholders, as required. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

<sup>2</sup> [Digital Travel Data Services | Scottish Ministers](#)

**Table 22**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
3.18.2 CFL is to provide open API feeds from the ferry CFL system, including to Traveline Scotland, to provide timetable, Route, and disruptions information.	In first Financial Year.
3.18.3 CFL to provide open automated fares data to Traveline Scotland and other third-party travel providers for all passenger fares and journeys, including integrated ticket fares, for information and onward retail.	In second Financial Year.
3.18.4 CFL to Report on the feasibility study on real-time vessel monitoring to provide real-time and estimated arrival and departure times, and real time capacity information.	In second Financial Year
3.18.5 Deliver on real-time and estimated arrival and departure times, including disruptions, and real time capacity information via API, using Ferry Gateway or other standard as agreed with Scottish Ministers	In third year of service

**Integrate with the National Concessionary Travel Schemes Using the Relevant Smart Platform (Currently ITSO) Utilising the Transport Scotland ITSO Back Office Systems**

4. CFL is to integrate with the National Concessionary Travel Schemes using the relevant Smart Platform (currently ITSO) utilising the Transport Scotland ITSO back-office systems.
- 4.1. The National Concessionary Travel Schemes provide ferry vouchers to a number of Islanders who are entitled to free bus travel (currently over 60, disabled, volunteers under 26 and young people aged 16-18). These two return ferry vouchers will be provided using an ITSO platform (currently the system uses paper vouchers however these are being replaced with digital vouchers loaded on the ITSO smartcard).
- 4.2. Overarching Requirements: CFL shall integrate with the Transport Scotland ITSO back office to enable accurate recording of digital concessionary vouchers. This should be achieved using an ITSO certified device (2.1.5). ITSO handheld devices will provide ITSO transactions from the digital ferry vouchers to Transport Scotland ITSO back-office systems sending the required concessionary information to enable reimbursement of the journeys to be paid. There are currently devices that are live and in use in the ferry environment that will deliver this requirement. Transport Scotland has completed a pilot project to establish this process in Shetland and Orkney and would look to replicate in the Western Isles / CHFS regions.
- 4.3. In addition, the Fair Fares Review includes the development of proposals to provide free foot passenger travel on inter-island ferries for under 22-year-old island residents within the Outer Hebrides, Orkney, and Shetland Island groups, and proposals to extend the existing national ferry concessionary scheme to under-22-year-old island residents. CFL shall work with Transport Scotland to implement any extension to the scheme.
- 4.4. CFL may propose innovative incentives, products and media to achieve the targets set out above.

**Table 23**

Deliverable/Milestone	Delivery Date
4.1.1 Integration with the Transport Scotland concessionary travel systems using ITSO smart media or any other medium as required by Scottish Ministers, or for future commercial integrated ticketing aspirations as required by Scottish Ministers and advised at the National Smart Ticketing Advisory Board. This should also enable accurate and auditable reimbursement and reporting.	By October 2026

**Improving access and interchange**

- 4.5. CFL shall produce, publish, and implement a comprehensive Access and Interchange Plan, in relation to improving access and interchange which should show separately in a structured format for, but not limited to:
- 4.6. Co-operation with complementary services provided by other service operators.
- 4.7. The support and promotion of Integrated transport including co-ordination with Route and service development by other transport operators.
- 4.8. CFL shall, engage with other public transport operator representatives from local bus and rail operators as appropriate.
- 4.9. The remit for CFL should include, but is not limited to:
- 4.9.1. Scope, implement and report on OCT initiatives.
  - 4.9.2. Assess the current state at ports and on vessels and identify opportunities to improve OCT – this could include, for example, an assessment of current state of signage at Ports and smart ticketing opportunities.
  - 4.9.3. Review progress and risks of ongoing OCT schemes and projects.
  - 4.9.4. Review multi-modal ticketing provisions in relation to OCT.
  - 4.9.5. Review integration of Timetables.
  - 4.9.6. Review the performance of existing OCT provisions, including review of real-time performance data to ensure continued benefit is realised, and look for opportunities in relation to existing OCT provisions.
  - 4.9.7. Support and participate in the work of the new Transport Integration and Connectivity Directorate

**Deliverables and Milestones**

- 4.10. CFL is required to provide all deliverables and meet all milestones outlined in Table 24. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 24**

Deliverable/Milestone	Delivery Date
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Deliverable/Milestone	Delivery Date
4.10.1 CFL to produce, publish, and implement an Access and Interchange Plan for improving access and interchange	Within first six months of financial year
4.10.2 Permit other ferry operators to advertise CFLs timetables.	Ongoing
4.10.3 CFL shall liaise with bus and rail operators to agree contingency arrangements in event of delayed sailings	Ongoing
4.10.4 CFL shall co-operate with relevant tourist organisations and work closely with tourist boards and to participate in local initiatives	Ongoing
4.10.5 CFL shall consult Regional Transport Partnerships and Councils (Westerns Isles, Highland, Argyll and Bute, North Ayrshire), when implementing permanent changes to the timetable as Scottish Ministers require	Ongoing
4.10.6 Participation in local community liaison by CFL as required by Scottish Ministers	Ongoing
4.10.7 CFL to publish and make publicly available to ferry users a summary of performance statistics, and produce and publish a detailed annual report	Ongoing and annually

## SCHEDULE PART 5

### HEALTH AND SAFETY PLAN

1. The Services must be managed and operated in a manner that consistently provides the highest standards of health and safety.
2. CFL shall exhibit a robust health and safety policy, with a nominated individual who shall have defined authority for establishing, maintaining and reporting to Scottish Ministers on health and safety. CFL shall ensure there is a senior level individual with overall responsibility for health and safety performance.
3. CFL shall consult annually with employees and the trade unions on the development, implementation and performance of its health and safety practices.
4. Health and Safety Plan
  - 4.1. The Health and Safety Plan shall:
    - 4.1.1. list of the statutory requirements that CFL considers shall be met.
    - 4.1.2. Contain details of the health and safety management system to meet statutory requirements including monitoring and benchmarking activities.
    - 4.1.3. Contain details of how compliance with the plan will be monitored.
    - 4.1.4. Contain the name of the individual responsible for all health and safety matters
    - 4.1.5. Set out the organisational structure of the management of Health and safety, including the board level person responsible for the conduct of health and safety performance
    - 4.1.6. Contain proposals for developing a zero-accident culture during the provision of the Services including metrics to demonstrate performance against targets.

#### Deliverables and Milestones

- 4.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 25. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 25**

Deliverable/Milestone	Delivery Date
4.2.1. CFL to update and review Health and Safety Plan.	Annually
4.2.2. CFL to monitor / audit and review activity to ensure compliance with the Health and Safety Plan.	Ongoing
4.2.3. CFL shall ensure continued compliance of operations with all statutory requirements of the UK, EU, and International Maritime Organisation.	Ongoing
4.2.4. CFL shall ensure certification to and compliance with the International Safety Management code (ISM) through its safety management system which is designed to deliver the requirements of ISO 45001: Occupational Health and Safety	Commencement Date

Deliverable/Milestone	Delivery Date
4.2.5. CFL shall ensure continued monitoring of compliance with H&S Plan and allow audits by MCA, HSE and LRQA	Ongoing
4.2.6. CFL to ensure it has a mechanism to enable data capture and reporting on Health, Safety, Quality & Environmental performance.	Ongoing
4.2.7. CFL to undertake emergency exercises twice a year involving external participants and members of CFL's silver team (emergency response support team).	Ongoing

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## **SCHEDULE PART 6**

### **ENVIRONMENTAL MANAGEMENT PLAN**

1. CFL shall manage and operate the Services in a manner that continuously ensures the highest standards of environmental management. CFL shall consider innovative approaches to environmental management. CFL shall comply with all applicable environmental legislation. CFL shall maintain an effective, proactive environmental policy and regularly review its environmental performance following consultation with Scottish Ministers.
2. CFL shall work with Zero Waste Scotland<sup>3</sup> to increase the efficiency of current recycling practices.
3. CFL shall collaborate with CMAL and Scottish Ministers in relation to use of environmental technology in ship design, fuel consumption, and managing those environmental emissions that contribute to climate change, as well as others causing air pollution.
4. CFL shall nominate a dedicated individual who shall be responsible for environmental management. This nominated individual shall have defined authority for establishing, maintaining and reporting on environmental management to Scottish Ministers.
5. CFL shall ensure certification to and compliance with ISO 14001: Environmental Management.
6. CFL shall monitor, calculate, and report greenhouse gases and carbon release from large (greater than 5000 GT) Vessels through the use and installation of a ship fuel monitoring system.
7. CFL shall comply with Scottish Ministers requirement for the compilation and publication of emissions information including the steps taken by CFL to improve environmental performance.

#### **Environmental Management Plan**

8. CFL shall produce, publish, and implement an Environment Management Plan for environmental improvement and management.
- 8.1. The Environmental Management Plan shall include as separate items:
  - 8.1.1. CFL's environmental policy; and
  - 8.1.2. the procedures to be implemented to monitor compliance with environmental legislation.
- 8.2. The Environmental Management Plan (EMP) will provide arrangements for determining, managing, and mitigating the environmental impact of the Services both onshore and at sea. The EMP will include specific management plans, including, but not limited to the following:
  - 8.2.1. Pollution Incident Response Plan – to include details shipboard oil pollution emergency plans, oil spill contingency plans, port emergency plans supported by appropriate training, drills and exercises.
  - 8.2.2. Waste Management Plan (WMP) – to include regulatory and best practice requirements relating to the planning and delivery of waste management, including soft plastic recycling. The WMP must include plans to record retail waste/food recycling, with the recipients detailed and targets to reduce, re-use and /or recycle waste.
  - 8.2.3. Sustainable Procurement – to ensure, where practicable, that all materials and services are responsibly sourced and in line with Scottish Government sustainable procurement policies<sup>4</sup> including supply chain management.

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<sup>3</sup> Zero Waste Scotland



- 8.2.4. Green Travel Plan – to consider minimising the impacts of travel, including promotion of public transport and workforce travel.
- 8.2.5. Energy Management – to include proposals for minimising the generation of greenhouse gas emissions from operations and carbon release at the outset of operating the Services and for ongoing assessment and reduction. the principles of ISO 50001 on energy efficiency management will be followed in ship specific energy efficiency management plans (SEEMPS) during the operation of the services.
- 8.2.6. Low Carbon Plan - to produce a low carbon plan that aims to maximise reduction in operational carbon emissions to support Scottish Ministers aspirations over the term of the Agreement and includes a cost benefit assessment of the carbon reduction opportunities.
- 8.2.7. Air Quality Management Plan – to include plans outlining how CFL will collaborate with other stakeholders to support the in-situ air quality data monitoring effectively
- 8.2.8. Ecology Management Plan – to include proposals to monitor and share data that will help to minimise the effect on marine life and to secure the health and protection of marine mammals.
- 8.2.9. Circular Economy Report – to produce a circular economy report detailing current implementation of circular principles, with a focus on e-waste management. Including e-waste incorporating repair and reuse practices in equipment disposal, and the steps needed to align with the principles of ISO 59004.
- 8.2.10. Weather Resilience and Climate Adaptation - develop a weather resilience and climate adaptation plan, incorporating risk assessments, adaptation strategies, and the utilisation of historical weather-related disruption data to assist vessel deployment and timetable planning.
- 8.2.11. Proposals for reviewing and reporting on environmental performance.

### **Deliverables and Milestones**

- 8.3. CFL is required to provide all deliverables and meet all milestones outlined in Table 26. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 26**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
8.3.1. Produce, publish, and implement an Environmental Management Plan which includes arrangements for determining, managing and mitigating against environmental impacts.	Within First Six Months of Financial Year
8.3.2. Review and update Environmental Management Plan	Annually
8.3.3. CFL to have ISO 14001: 2015 standard accreditation	Commencement Date/Ongoing

<sup>4</sup> Sustainable procurement - Scottish procurement: policy manual - gov.scot (www.gov.scot)

Deliverable/Milestone	Delivery Date
8.3.4. Set out a roadmap to operate under the principles of ISO 59004	March 2027
8.3.5. To work under the principles of ISO 50001 Energy Management	Ongoing
8.3.6. CFL to ensure installation of a Ship Fuel Monitoring System in large (greater than 5000 GT) Vessels.	CP1
8.3.7. Report monthly, to Scottish Ministers, sustainable procurement performance and progress against targets	Commencement Date
8.3.8. Report, to Scottish Ministers, on environmental performance detailing fuel efficiency characteristics (normalised and actual) and energy efficiency measures	Annually

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## SCHEDULE PART 7

### CUSTOMER SERVICE AND ACCESSIBILITY

1. CFL shall provide an effective and innovative approach to customer service. CFL shall create a customer focused environment and be responsible for all aspects of the customer service experience. This shall cover the full customer journey from initial booking, through travel arrangements to port-side assistance. CFL will also be required to provide additional passenger support, where appropriate, where onward travel arrangements have been disrupted.
2. CFL shall provide assistance and support to customers with an urgent need to travel; for Urgent medical appointments (the current protocol remains applicable).
3. CFL shall provide assistance to travellers on such aspects as booking arrangements, connections and onward travel.
4. Within its Disruption Management Plan CFL shall publish and make readily accessible, its policy outlining the procedures for disruptions. CFL shall provide up to date information on the state of services and times for the resumption of services in the event of disruption. CFL shall provide a clear explanation, across a range of media, when ferry services are disrupted. This will include clear and timeous information on the cause of the disruption and a description of mitigation measures. CFL shall provide an explanation of whether replacement services can or cannot be provided in each case. When services are disrupted, sufficient staff must be on site to offer assistance and answer queries. CFL shall make available contact details and telephone numbers for local taxi companies, hotels, cafes etc. and publish this information at ticket offices or harbours.
5. CFL shall ensure that the website for the service is regularly updated to keep passengers informed, including updated operational documents such as complaints processes, business plans and stakeholder consultations.
6. CFL shall ensure the website and mobile app are compliant with Web Content Accessibility Guidelines.
7. Without prejudice to Clause 5.2.1 (*Services*), CFL shall have regard to the legislative framework and obligations in relation to disability, mobility, and accessibility requirements. This will include consideration of the needs of visually and hearing-impaired passengers. CFL shall also have regard to the requirements for Staff Assisting Disabled People and Value for Anyone, Value for Everyone – both published by the Mobility and Access Committee for Scotland (MACS). CFL will be expected to meet regularly with MACS and other accessibility groups at a community level to ensure services meet the needs of all members of the community.
8. CFL shall consider the needs of those with disabilities when providing information, timetable, booking reservation systems, on board vessels and at ports. A biennial accessibility audit should be undertaken by CFL. The general MACS website can be accessed at [Mobility and Access Committee for Scotland \(MACS\) | SM](#). For passengers with accessibility requirements, CFL shall comply with the relevant legislation including the Equality Act 2010 and Human Rights Act 1998, wherever possible within the context of the Vessels and Ports CFL are required to operate.
9. CFL shall provide a full assisted travel guide for customers including information on what services they provide and outlining what passengers can anticipate at ports and on vessels. CFL shall produce, publish, and implement a detailed Customer Service and Accessibility Plan, that is in line with the Islands Connectivity Plan, and the resources required to manage the requirements of the plan.

- 9.1. CFL shall prepare and update the Customer Service and Accessibility Plan that shall include a forward look to consider relevant significant activities, and in particular how they impact on individuals with disabilities and propose proportionate proposals to avoid or mitigate any disadvantages, and for updates of the Process a backward look to the operation of the Agreement to review the effectiveness of those measures which have been put in place and bring forward proposals to remedy any shortfall in the effectiveness of those measures. The Customer Service and Accessibility Plan shall show separately in a structured format:
  - 9.1.1. Proactive arrangements to provide a customer focussed environment at the various stages of customer journey including ticket sales, advice on sailing status, care of stranded passengers, journey experience, post journey incidents.
  - 9.1.2. CFL shall assess customer experience levels throughout the whole customer journey and outline the process for measuring customer experience and associated improvements conducted by an independent specialist, i.e. mystery shopper, customer satisfaction survey, including capturing passengers identifying as disabled and customer contact centre performance.
  - 9.1.3. Staff and resources proposed to fully develop, implement, and update the plan.
  - 9.1.4. Proposals for enhancing the accessibility of the Services for individuals with disabilities. Including the following areas:
    - (a) Staff training
    - (b) Information dissemination timetable and booking reservation systems.
    - (c) Establishing a system for accessibility information
    - (d) Vessel and Port facilities
    - (e) Intermodal transport links
    - (f) Regular audits on accessibility

#### **Deliverables and Milestones**

- 9.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 27. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 27**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
9.2.1. Produce, publish, and implement a Customer Service and Accessibility Plan.	Within first six months of financial year
9.2.2. Review and amend of Customer Service and Accessibility Plan.	Annually

#### **Customer Complaints Process**

10. CFL's Customer Complaint Process shall for the purposes of this Schedule Part be deemed to be part of the Customer Service and Accessibility Plan. CFL shall provide a detailed customer complaints process which will include, but not be limited to:
  - I. The receipt of complaints and feedback from customers by a reasonably comprehensive range of oral and written media.

- II. The provision of advice by reasonably comprehensive means as to the how (including to whom complaints should be addressed) complaints can be lodged.
- III. The methods by which complaints will be assessed and CFLs views and remedies communicated.
- IV. An opportunity and process for appeals by a customer against CFLs views.
- V. Proportionate restitution

### **Deliverables and Milestones**

- 10.1. CFL is required to provide all deliverables and meet all milestones outlined in Table 28. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 28**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
10.1.1. CFL to produce and publish a customer complaints process	Commencement Date and reviewed annually.

### **Accessibility – Equalities Impact Assessment**

- 11. CFL shall carry out and publish an Equalities Impact Assessments when any major changes to services are being considered in line with the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012 and in liaison with Scottish Ministers.
- 11.1. The Equalities Impact Assessment shall include the following areas:
  - 11.1.1. Description which outlines the policy, function, or decision under review, including its objectives, scope, and implementation context.
  - 11.1.2. Evidence base which presents data (quantitative and qualitative) relevant to equality groups, such as demographics, service usage, consultation feedback, or research.
  - 11.1.3. Details on the consultation with affected groups, staff, or equality representatives, and summaries of their input.
  - 11.1.4. Assessment of potential positive and negative effects on individuals or groups with protected characteristics under the Equality Act 2010 (e.g. age, race, disability, sex, religion).
  - 11.1.5. Actions to minimise adverse impacts or enhance positive ones, including changes to the proposal or supporting measures.
  - 11.1.6. Decision and Justification which explains whether the policy will proceed, be amended, or halted, and justifies this in light of the equality analysis.
  - 11.1.7. Authorisation, including the names, roles, and signatures of those responsible for completing and approving the assessment.
  - 11.1.8. Publication of EQIA process and assessments on CFL website.

## **Deliverables and Milestones**

11.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 29. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 29**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
11.2.1. CFL shall carry out and publish an Equalities Impact Assessments when any major changes to services are being considered	Ongoing / as required.

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## SCHEDULE PART 8 COMMUNITY ENGAGEMENT

1. CFL shall ensure robust community engagement is carried out throughout the Grant Period. This includes actively seeking, valuing and responding to the input from communities, creating open dialogue, and consistently demonstrating a commitment to addressing community needs and concerns.
2. CFL shall ensure that suitable arrangements are put in place for regular engagement and consultation with relevant local authorities, regional transport partnerships and a range of representatives of island stakeholders and businesses to ensure the effective delivery of the Ferry Service.
3. CFL shall work with communities and Scottish Ministers to identify and engage as appropriate with the ferry committee structure across the network and use the standard framework for producing a standardised set of terms of reference, inclusive of decisions and actions that may be used.
4. CFL shall have a section on their website that is easily accessible to enable communities to engage with them.
5. CFL shall appoint an individual, who will as part of their duties operate at a senior level within the business, with defined authority for establishing, maintaining, and reporting on community engagement.
6. CFL shall work with Scottish Ministers to establish a new senior stakeholder group comprising of a senior local authority representative from each of the four local authorities served. The group shall meet every 6 months to receive and discuss updates from CFL, addressing strategic and operational issues highlighted across the network.
7. CFL shall support the establishment and operation of the Ferries Community Board (FCB) in line with the direction and guidelines set by Scottish Ministers, as a forum for community insights on strategic matters related to the delivery of the Services. The Terms of Reference should be developed and incorporated into CFL's Community Engagement Strategy. This support shall include the provision of administrative support and payment of appropriate expenses. CFL shall designate a specific individual who will serve as the primary contact with the FCB. CFL should engage with the FCB as appropriate in the delivery of the Services.

### **Deliverables and Milestones**

8. CFL shall provide all deliverables and meet all milestones outlined in Table 30. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 30**

Deliverable/Milestone	Delivery Date
8.1. CFL shall work with communities and Scottish Ministers to identify and engage as appropriate with the ferry committee structure across the network and produce a standardised terms of reference that may be used	End of first Financial Year.

Deliverable/Milestone	Delivery Date
8.2. Establishing a new senior stakeholder group with the four local authorities	End of first Financial Year.
8.3. CFL shall have a section on their website that is easily accessible.	Commencement Date and ongoing thereafter.

### Community Engagement Strategy

9. CFL will create and share a Community Engagement Strategy which will outline the approach and structure CFL will use to ensure effective engagement with communities and key stakeholders, enhancing communication, fostering collaboration, and improving service delivery. The Strategy will include, but not be limited to, the following:

- I. Goals of engagement, including:
  - To gather meaningful feedback from the community.
  - To use community input to drive improvements.
  - To ensure transparency and accountability in decision-making processes.
  - To build and maintain trust with community members and stakeholders.
- II. Engagement Approach: CFL will undertake a holistic approach to community and key stakeholder engagement, which includes:
  - Stakeholder mapping exercise to be reviewed annually.
  - Regular consultations and meetings with stakeholders.
  - Use of multiple communication channels to reach a diverse audience.
  - Incorporation of community feedback into planning and decision-making.
  - Alignment of engagement activities with the Islands Connectivity Plan
- III. Ferries Community Board: CFL will support the Board and align with the direction set out by Scottish Ministers through:
  - Providing administrative support and covering appropriate expenses.
  - Appointing a primary contact to engage with the FCB.
  - Ensuring regular communication and collaboration with the FCB in the delivery of the Services in line with the agreed direction set out by Scottish Ministers.
- IV. Local Community Engagement: To ensure consistent engagement across the network, CFL will:
  - Identify a single representative group for each route/community as part of the Enhanced Engagement Model (Area Manager).
  - Develop a clear set of Terms of Reference for specified groups.
  - Engage with such groups at regular intervals, create and circulate the minutes for every meeting including agreed decisions and actions. These will be available to Scottish Ministers upon request.



- V. **Feedback Loops and Reporting & Monitoring Mechanisms:** CFL will put in place feedback and reporting mechanisms which will include:
  - Regular reporting of community engagement outcomes to Scottish Ministers.
  - Communication of engagement and any subsequent changes back to the community.
  - Monitoring and assessing the success of engagement outputs.
  - CFL shall also introduce a Customer Relationship Management for all stakeholder which will act as an effective management of actions and a single point of reference.
- VI. **Issue Escalation Process:** In the event the stakeholder group is unhappy with the response from CFL through the approach outlined above, CFL will ensure a structured process will be in place for community groups to escalate queries, ensuring timely and effective issue resolution.
- VII. **Identification and Resource Plan:** CFL will develop a comprehensive plan for a community and stakeholder engagement, including:
  - Identifying required roles and responsibilities.
  - Allocating necessary resources to support engagement activities.
- VIII. **Local Community Liaison:** CFL will maintain continuous liaison with representatives of users and the public to ensure ongoing dialogue and responsiveness to community needs.

#### **Deliverables and Milestones**

- 9.1. CFL is required to provide all deliverables and meet all milestones outlined in Table 31. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 31**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
9.1.1. Produce, agree, publish, and implement Community Engagement Strategy	End of first Financial Year.
9.1.2. Community Engagement Strategy to be updated	Annually
9.1.3. Community Engagement Strategy summary of outputs, actions and insights to be provided to Scottish Ministers	Quarterly

#### **Community Benefits Plan**

10. CFL shall work with Scottish Ministers to produce, publish, and implement a Community Benefits Plan.
  - 10.1. The Community Benefits Plan should contain, but not limited to, the following:
    - I. A plan to work to increase CFLs workforce of apprenticeship, graduate, and early careers schemes to encourage local people into the ferry workforce.
    - II. A plan informing of how CFL will carry out at least four school visits annually within the communities, focusing on specific themes/topics such as recycling or Science, Technology, Engineering and Mathematics (STEM) activities.

- III. A plan for: Ten officer cadets, ten deck and engine ratings trainees and four work placements each year.
- IV. A record of all community benefits initiatives carried out.

### **Deliverables and Milestones**

10.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 32. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 32**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
10.2.1. Produce, publish, and implement Community Benefits Plan	During first 6 months in first Financial Year,
10.2.2. Community Benefits Plan to be reviewed and updated	Annually

## **SCHEDULE PART 9**

### **HUMAN RESOURCES AND CORE PERSONNEL**

#### **Human Resources Strategy**

- 1.1. CFL shall have in place throughout the Grant Period a Human Resources Strategy which shall comply with the requirements contained in this Schedule Part 9. CFL shall implement, publish, and periodically review the Human Resources Strategy.
- 1.2. The Human Resources 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 of transfer of the Services on expiry or termination of the Agreement.
- 1.3. CFL will be expected to work in partnership with the relevant unions. The Human Resources Strategy shall set out and demonstrate a commitment to foster constructive relationships and a partnership approach with trade unions and employees.
- 1.4. The Human Resources Strategy shall include:
  - I. a structure diagram showing lines of responsibility.
  - II. details of CFL's approach to crewing, including the proposed employment arrangements.
  - III. crew configurations and numbers per sailing, noting seasonal variations.
  - IV. crew/passenger ratios and passenger certificate numbers throughout the year.
  - V. shift patterns to be adopted.
  - VI. what (if any) changes to staffing arrangements CFL proposes, and how this would be achieved.
  - VII. how CFL will endeavour to have a diverse workforce.
  - VIII. CFL should provide details of a Strategic Workforce plan incorporating:
    - a) an objective, transparent and fair recruitment process.
    - b) a succession planning process for key grades, updated annually ensuring that there is always resilience in the staffing levels.
    - c) A plan to employ and retain apprentices and graduates.
    - d) employment management including the line of command and communication links between all parties including CFL and employment organisations for the identification of employment needs and opportunities for long term unemployed, the identification of eligible potential employees and the generation of employment programmes to support sea going and land-based operations.
  - IX. numbers and grades of staff in posts.
  - X. numbers and grades of staff who reside within the islands, within reasonable commuting distance to a port.

#### **Deliverables and Milestones**

- 1.5. CFL is required to provide all deliverables and meet all milestones outlined in Table 33. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 33**

Deliverable/Milestone	Delivery Date
1.5.1. Produce, publish, and implement Human Resources Strategy.	Commencement Date
1.5.2. Review and amend HR Strategy	Annually

**Workforce Equalities**

2. CFL will comply with the general public sector duties under the Equality Act 2010 (Specific Duties) (Scotland) Regulations 2012.
3. CFL will be required to demonstrate proactive steps to eliminate discrimination and to promote equality.
4. CFL will be required to produce, publish, and implement a Workforce Equalities Plan which includes details of how CFL will monitor its effectiveness. CFL will be required to submit this plan on an annual basis, providing evidence of the activities carried out in accordance with the plan.

**Deliverables and Milestones**

- 4.1. CFL is required to provide all deliverables and meet all milestones outlined in Table 34. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 34**

Deliverable/Milestone	Delivery Date
4.1.1. Produce, publish, and implement a Workforce Equalities Plan	Commencement Date
4.1.2. Review and submit an updated Workforce Equalities Plan on an annual basis	Annually
4.1.3. Report on performance against the Workforce Equalities Plan	Annually

**Training and Employment**

5. Training and Employment
  - 5.1. CFL shall ensure that all staff are appropriately trained to comply with all onshore and seagoing statutory obligations in relation to the delivery of the Services. Staff should be trained to reflect the highest standards of passenger safety and customer service for the full end to end customer journey experience.
  - 5.2. CFL shall ensure that a suitably skilled and qualified workforce is available throughout the Grant Period to ensure the continued delivery of the Services. This must include adequate opportunities for officer cadets, modern apprenticeships and training for Deck, Engine, Catering, Ratings and Onboard Services.
  - 5.3. CFL shall agree with Scottish Ministers a plan to review the major vessel fleet passenger certification levels and implement any agreed revisions

- 5.4. CFL shall provide a programme of mental health training for all seafarer and shore-based staff including similar arrangements for subcontractors, (a person or business that is hired by a contractor to perform a specific part or all of a larger project or contract).
- 5.5. CFL will provide an annual report on their training and staff development, including apprenticeships and staff qualifications and name a proposed person on the list of Core Personnel who shall have defined authority for establishing, maintaining, and reporting on the training programme.
- 5.6. CFL shall provide a named point of contact for all HR matters (with an additional support role as a minimum) for liaising with Scottish Ministers.

#### **Deliverables and Milestones**

- 5.7. CFL is required to provide all deliverables and meet all milestones outlined in Table 35. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 35**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
5.7.1. Review and report on training and staff development	Annually
5.7.2. Commence work on reviewing the major vessel fleet passenger certification levels with the Maritime and Coastguard Agency and agree a plan to implement any agreed revisions.	CP1

#### **Core Personnel and Project Support**

6. CFL Core Personnel
  - 6.1. CFL shall identify and provide to Scottish Ministers a schedule of Core Personnel who shall be employed in connection with the Services.
  - 6.2. CFL shall provide to Scottish Ministers an organisation chart detailing the responsibilities and reporting lines of each of the Core Personnel by the Commencement Date and shall update such chart as and when any changes occur.
  - 6.3. Core Personnel may from time-to-time delegate any of the powers, functions and authorities vested in each of them to an assistant or agent. No such delegation or revocation shall have effect until Scottish Ministers have received notice of it in writing.
  - 6.4. Core Personnel roles must not be vacant for more than ten business days.
7. Project Support
  - 7.1. Any variance to the staff required for projects will be managed through the annual business plan a budget setting discussions with Transport Scotland.

#### **Deliverables and Milestones**

- 7.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 36. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 36**

Deliverable/Milestone	Delivery Date
7.2.1. Produce the schedule of Core Personnel	Commencement Date
7.2.2. Produce the Project Support schedule	Commencement Date
7.2.3. Update the Project Support roles to reflect any additional projects or changes	As required

**Fair Work First**

7.3. CFL shall conform to any requirements relating to Scottish Ministers Fair Work First principles.

## SCHEDULE PART 10 OPERATIONAL AND TECHNOLOGY MANAGEMENT

### PART A: OPERATIONAL MANAGEMENT SYSTEMS

1. CFL shall put in place a Corporate Management System, capable of managing, monitoring and reporting on the effective financial performance and operational delivery of the Services.
2. CFL shall comply with the Performance Measures and reporting requirements detailed in Schedule Part 11.
3. CFL shall ensure that it has in place adequate systems, procedures and controls for the assessment and management of risk in relation to the continued operation and delivery of the Services. This must include procedures for escalation of risks to Scottish Ministers as appropriate. CFL shall, within 1 months of the Commencement Date, produce a comprehensive risk register to be agreed with Scottish Ministers and thereafter to be maintained by CFL throughout the Grant Period. The risk register must be updated monthly by CFL to reflect ongoing risks and may be requested at any time by Scottish Ministers.
4. CFL shall produce a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP), which will be tested regularly, at a minimum annually.
5. CFL shall produce, publish, and implement a Quality Management Plan within 1 month of the Commencement Date. This shall outline the entire Quality Management system and include details of how the quality system will be administered. CFL shall appoint a named individual who shall have defined authority for establishing, maintaining, and reporting on the Quality Management System.
6. The Quality Management Plan should include:
  - I. An annotated chart of CFL's organisational arrangements for maintaining and reporting against its quality management system (QMS), showing the lines of command as well as any subcontracted service providers,
  - II. Proposed person who shall have defined authority for establishing, maintaining and reporting on the Quality Management System.
  - III. the structure and content of typical quality control procedures to be used.
  - IV. a list of procedures to be included in the Quality Management System for operational phases showing their hierarchy and interface; and
  - V. a list and structure of procedures for monitoring of the Quality Management System.
  - VI. how it will be achieved In line with the principles of ISO9001.
7. CFL is required to provide all deliverables and meet all milestones outlined in Table 37. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 37**

Deliverable/Milestone	Delivery Date
7.1.1. Quality Management Plan to be produced, published, and implemented	Start of Contract

Deliverable/Milestone	Delivery Date
7.1.2. Quality Management Plan refreshed	Annually
7.2. Business Continuity and Disaster Recovery Plan to be produced and implemented	Within first six months of financial year
7.3. Business Continuity and Disaster Recovery Plan to be reviewed	Annually
7.4. Risk registers to be produced by CFL	1 month after commencement
7.5. Risk registers to be updated by CFL	Monthly

### **CFL's Involvement of Supported Businesses and Small and Medium Enterprises (SME's)**

- 7.6. CFL shall provide plans for the involvement of Supported Businesses and Small and Medium Enterprises (SME's):

for engaging with Supported Businesses and SME's, including where the involvement may provide the opportunity to improve the efficiency, economy and quality of the services, which should include specific targets and a monitoring regime for engagement with local and regional businesses to support island economies.

- 7.7. CFL is required to provide all deliverables and meet all milestones outlined in Table 38. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 38**

Deliverable/Milestone	Delivery Date
7.7.1. CFL to provide plans for the involvement of Supported Businesses and Small and Medium Enterprises	1 month after commencement
7.7.2. Plan for involvement of Supported Businesses and Small and Medium Enterprises to be refreshed	Annually

## **PART B: INFORMATION TECHNOLOGY**

### **IT Security and Policy**

1. CFL shall maintain appropriate security systems, procedures and controls to ensure the safe carriage of passengers, freight and livestock which complies with all Applicable Law.
- 1.1. CFL shall implement cyber security and data handling arrangements which are comprehensive, robust, and aligned with relevant, proportionate standards, such as Cyber Essentials or an equivalent.
- 1.2. CFL shall align its cyber security provisions with the Scottish Government's cyber security guidance for government departments.



- 1.3. CFL shall utilise the Cyber Security Procurement Support Tool<sup>5</sup> (CSPST) or alternative tool that Scottish Ministers may adhere to and/or replace CSPST with. If CFL's cyber security provisions are found to be insufficient following the utilisation of the CSPST, then CFL shall submit a Cyber Implementation Plan to Scottish Ministers for approval.
- 1.4. CFL, as a minimum, must comply with the Scottish Government's IT Policy<sup>6</sup>.
- 1.5. CFL shall comply with the Digital Scotland Service Standard<sup>7</sup> (DSSS).
- 1.6. CFL shall comply with the Cyber Essentials Plus scheme and obtain and maintain an applicable standard for accreditation<sup>8</sup>.

### **Technology Strategy**

2. CFL shall produce and implement a Technology Strategy to provide a holistic view of how CFL can use technology to enhance the services delivered.
- 2.1. CFL's Technology Strategy should include, as a minimum:
  - XI. Executive Summary
  - XII. Purpose of the strategy
  - XIII. IT Alignment with business goals
  - XIV. Current state assessment; IT infrastructure overview, Application landscape, IT operations and support, SWOT analysis, Capability maturity, Key risk and constraints.
  - XV. Future state vision; Target architecture – Infrastructure, Applications, Data security, Innovation and emerging technologies, Strategic IT priorities and initiative, IT roadmap overview, Key programs and projects, Investment and resource requirements.
  - XVI. Governance and Operating model; IT Organisational structure, Governance framework.
  - XVII. Cybersecurity and Risk Management
  - XVIII. Stakeholder requirements and feedback
  - XIX. KPI's and Success measures
  - XX. Provide digital assistance through our customer contact centre on the use of the booking and ticketing system
  - XXI. Review the delivery of service user communication, as a continued area of priority and considered improvement, considering social media, website, and other applicable digital means.

### **Deliverables and Milestones**

- 2.2. CFL is required to provide all deliverables and meet all milestones outlined in Table 39. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

<sup>5</sup> <https://www.gov.scot/publications/cyber-resilience-supply-chain-guidance/>

<sup>6</sup> Scottish Government IT Security Policy

<sup>7</sup> Digital Scotland Service Standard - gov.scot ([www.gov.scot](http://www.gov.scot))

<sup>8</sup> About Cyber Essentials - NCSC.GOV.UK

**Table 39**

Deliverable/Milestone	Delivery Date
2.2.1. Produce and implement the Technology Strategy	Within first 6-months of first Financial Year.
2.2.2. Technology Strategy review and update	Annually

**Technology Strategy Group**

3. CFL shall establish a Technology Strategy Group, which shall be run by CFL, with CFL being responsible for driving technical elements and discussions.
- 3.1. CFL shall appoint representatives to the group and use best endeavours to involve Scottish Ministers and Transport Scotland Ferries Directorate.
- 3.2. The Technology Strategy Group should aim to drive positive strategic change and feedback and input for technology initiatives across CFL's organisation and CHFS network in alignment with the Islands Connectivity Plan and the agreed CFL corporate and business plan.
- 3.3. The group must consult with the Ferries Community Board (FCB), and Mobility and Access Committee for Scotland (MACS), and others as appropriate on any user acceptance testing for customer facing systems.
- 3.4. The remit of the group should include, as a minimum:
  - I. Input to the forming and agreeing CFL's Technology Strategy.
  - II. Input to prioritising technology initiatives and investments.
  - III. Review cyber security and maturity plans
  - IV. Monitoring performance of technology across CFL's service, including progress on technology related projects and service.
  - V. Ensuring best practice when considering technology proposals and initiatives.
  - VI. Endeavour to deliver effective end user testing for any applicable scheme.
  - VII. Provide input and feedback on technology innovations and trends, where they could pose opportunity for improving delivery of services.
- 3.5. The Technology Strategy Group must meet 6-monthly as a minimum and provide updates to Scottish Ministers through means of meeting minutes and a 6-monthly Technology Strategy Group report, which CFL will develop and agree with Scottish Ministers.

**Deliverables and Milestones**

- 3.6. CFL is required to provide all deliverables and meet all milestones outlined Table 40. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 40**

Deliverable/Milestone	Delivery Date
3.6.1. Implement the Technology Strategy Group	Q2 in CP1

Deliverable/Milestone	Delivery Date
3.6.2. Technology Strategy Group report to be produced	6-monthly

### **Part C: Innovation and Continuous Improvement**

1. CFL shall proactively integrate Innovation and Continuous Improvement into all aspects of the Services delivered under this Agreement. CFL shall continuously seek opportunities to enhance operational efficiency, service quality, customer satisfaction, and sustainability through innovative practices and a structured approach to continuous improvement.

#### **Innovation**

2. CFL shall actively engage with Scottish Ministers and the Ferries Community Board to identify opportunities for innovation that address local needs, enhance service delivery, and improve the user experience. Such opportunities may be developed and delivered as pilot projects to assess their feasibility and, where they are demonstrated to deliver the anticipated benefits, may be implemented on a wider or permanent basis.
3. CFL shall incorporate identified and agreed innovation initiatives within the Annual Business Plan submitted to Scottish Ministers. Each initiative shall have clear, measurable objectives, defined implementation timelines, anticipated benefits, and criteria for evaluating success. Initiatives shall be clearly set out in the Annual Business Plan, identified as Innovation and/or continuous improvement and published as part of the annual plan on the CFL website.
4. CFL shall report progress, outcomes, and impacts of implemented innovation initiatives, as part of the Annual Performance Report.
5. CFL shall continually monitor industry developments, emerging technologies, and best practice standards to identify additional innovation opportunities and shall bring forward proposals for consideration by Scottish Ministers as appropriate.

#### **Continuous Improvement Plan**

6. CFL shall ensure that Continuous Improvement is embedded within its Quality Management System as a systematic and ongoing process that supports the delivery of the Services.
7. CFL shall agree and maintain a Continuous Improvement Plan, which sets out how Continuous Improvement will be delivered, governed, and sustained throughout the Term of the Agreement. The Plan shall be aligned with the Vision and Priorities of the Islands Connectivity Plan and updated annually or as otherwise agreed with Scottish Ministers.
8. The Continuous Improvement Plan shall clearly outline the methodology, review cycles, and internal responsibilities associated with delivering continuous improvements. CFL shall use a range of feedback and performance monitoring tools to inform its improvement activities, including but not limited to:
  - Community engagement (including input from the Ferries Community Board)
  - Customer surveys and complaints analysis
  - Operational performance data; and
  - Service benchmarking and audit findings.

9. CFL shall publish within its Annual Performance Report a summary of key improvement themes and actions, demonstrating transparency and accountability in its approach to Continuous Improvement.
10. CFL shall actively participate in and support relevant governance forums that contribute to continuous improvement, including the Network Strategy Group, Strategic Network Planning Forum and Technology Strategy Group.
11. CFL is required to provide all deliverables and meet all milestones outlined in Table 41. Additionally, CFL may propose additional deliverables and milestones for approval by Scottish Ministers.

**Table 41**

<b>Deliverable/Milestone</b>	<b>Delivery Date</b>
7.7.3. Engage with Scottish Ministers and FCB to identify potential innovation opportunities and incorporate in the annual business plan	Report annually in line with business planning dates
7.7.4. Publish agreed innovation opportunities as part of the Annual Business Plan	Annually in line with business planning date
7.7.5. Report on progress, outcomes, and impacts of innovation initiatives implemented, included in the Annual Performance Report.	Annually as part of Annual Report publication
7.7.6. Develop, produce and publish a Continuous Improvement Plan outlining approach, governance, and methodology	Within 1 month of commencement
7.7.7. Refresh Continuous Improvement Plan	Annually
7.7.8. Publish summary of key improvement themes and actions as part of Annual Performance Report	Annually

## SCHEDULE PART 11

### PERFORMANCE REVIEW AND REPORTING

1. This Schedule Part sets out the Performance Measures which will apply to the Services, the mechanisms by which any failure to meet Performance Measures will be managed, and the methods by which CFL's performance under this Agreement will be monitored.
- 1.1. The Performance Measures are intended to:
  - 1.1.1. ensure that the Services are of a consistently high quality and meet the Scottish Ministers' requirements as to performance and reliability.
  - 1.1.2. provide a mechanism whereby the Scottish Ministers can show meaningful recognition of any failure by CFL 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
  - 1.1.3. remedy any failure to meet the Performance Measures expeditiously.

#### PART A: KEY PERFORMANCE INDICATORS

2. Performance Review Process
  - 2.1. If at the Commencement Date historical data is not available to set a benchmark, the relevant data will be monitored during the period of six months from the Commencement Date, and this data will then be used to set the relevant benchmark going forward.
  - 2.2. Transport Scotland shall advise CFL:
    - I. the initial performance criteria
    - II. current available data and additional data required to support the KPIs.
    - III. the initial reporting metrics for the Performance Review Report which will be required.
    - IV. the initial benchmarks for the Performance Review Scorecard which will be required.
    - V. the period over which the initial KPI framework will apply.

(together the **Initial KPI Framework**)
  - 2.3. Transport Scotland and CFL shall use the Initial KPI Framework and the Indicative Framework of KPIs set out in the table in section 3 of Appendix 1 of this Part as the basis for establishing the KPI Framework.
  - 2.4. The KPI Framework (and any update thereafter) shall be used to create the Performance Review Scorecard.
  - 2.5. Transport Scotland and CFL shall consult FCB and others as appropriate on the proposed KPI Framework and the Performance Review Scorecard.
  - 2.6. The KPI Framework will be reviewed at least annually and both Transport Scotland and CFL shall use reasonable endeavours to discuss the KPI Framework. If the KPI Framework is not agreed by CFL, then the KPI Framework shall be determined by Transport Scotland acting reasonably.
  - 2.7. CFL shall prepare the Benefits Realisation Plan as contemplated in the table in section 3 of Appendix 1 of this Part and shall update it as required by Transport Scotland.

## **PART B: MONITORING PROCEDURES**

1. Weekly Operational Issues Review
  - 1.1. Each week during the Financial Year CFL and Transport Scotland shall hold an Operational Issues Review to provide a weekly dialogue on current operational issues to ensure that each party is informed about the conduct and impact of the Services on users and communities. The Operational Issues review may be conducted by telephone or other digital platforms or ad-hoc in written format as agreed with Transport Scotland.
2. Monthly Performance Measure Report and Service Performance Review Meetings
  - 2.1. CFL shall supply separate reports to Transport Scotland for each Route as follows:
    - 2.1.1. Monthly Reports on Service Performance Measures as required by the “Service Performance Measures Table” in the CHFS3 Monthly Pack Template Performance Report.
    - 2.1.2. CFL to provide on request 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 to support monitoring for subsidy control purposes.
  - 2.2. CFL and Transport Scotland shall attend Monthly Service Performance Review Meetings on a monthly basis (unless otherwise agreed).
3. Annual review of Plans and Strategies
  - 3.1. Transport Scotland and CFL shall meet annually to review each of:
    - 3.1.1. The Health and Safety Plan
    - 3.1.2. The Environmental Management Plan
    - 3.1.3. The Marketing Plan
    - 3.1.4. The Human Resources Strategy
    - 3.1.5. The Equalities Impact Assessment
    - 3.1.6. Demand and Capacity Management Plan
    - 3.1.7. Vessel Deployment Plan
    - 3.1.8. Community Engagement Strategy and Community Benefits Plan
    - 3.1.9. Continuous Improvement Plan
    - 3.1.10. Technology Strategy
    - 3.1.11. Catering Services Plan
    - 3.1.12. Retail and Services Plan
    - 3.1.13. Strategic Asset Management Plan
    - 3.1.14. Scheduled Maintenance Plan
    - 3.1.15. Fleet Relief Plan (if required by Scottish Ministers)
    - 3.1.16. Harbour Operating Agreement Plan
    - 3.1.17. Smart and Integrated Ticketing Plan

- 3.1.18. Access and Interchange Plan
- 3.1.19. Customer Service and Accessibility plan
- 3.1.20. Workforce Equalities Plan
- 3.1.21. Quality Management Plan
- 3.1.22. Business Continuity and Disaster Recovery Plan
- 4. General reporting requirements
  - 4.1. CFL shall hold in electronic format and continue to hold for the duration of the Agreement copies of all information and reports and summaries (including initial and agreed versions where appropriate) which CFL is responsible for providing and shall provide any such information to the Scottish Ministers at any time on request and within two Business Days following the Termination Date or one month of the Expiry Date as appropriate.
  - 4.2. 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 CFL against the Performance Measures, provided that such monitoring and/or audit does not have an adverse effect on the provision by CFL of the Services or its ability to meet the Performance Measures.
- 5. Finance And Efficiency Information
  - 5.1. CFL shall submit, together with, the audited financial statements submitted pursuant to Clause 24.7 (*Audit, Expenditure and Accountability*):
    - 5.1.1. efficiency and financial information at the end of each Financial Year;
    - 5.1.2. 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;
    - 5.1.3. 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;
    - 5.1.4. separate financing statements for Grant supported services, which clearly demonstrate that there is no cross subsidisation with the activities of any Associated Company; and
    - 5.1.5. Grant as a percentage of turnover.

## Appendix 1

### CHFS3 Monthly Pack Template Performance Report

Month X – Oct 2025 – March 2026

#### Contents:

1. Overview
2. Service Performance Measures
3. Benefits Realisation Plan Performance

#### 1. Overview

- a.
- b.
- c.
- etc

##### Key Achievements

- a.
- b.
- c.
- etc

##### Forward Look

- a.
- b.
- c.
- etc

#### 2. Service Performance Measures

Key Performance Measures Priority one	Month actual	Year to date actual	Full year forecast	Year to date variance
<b>Performance *</b>				
% Actual sailings vs scheduled				
% Actual capacity vs scheduled				
% Cancellations due to weather				
% Cancellations due to technical issues				
<b>Network Carryings **</b>				
Passenger				
Commercial Vehicles (numbers)				
Commercial Vehicles (lane metres)				
Cars				



Key Performance Measures Priority one	Month actual	Year to date actual	Full year forecast	Year to date variance
<b>Customer Satisfaction ***</b>				
Overall Satisfaction %				
Overall Satisfaction communities %				
Trust to Deliver %				
Trust to Deliver Communities %				
<b>Health and Safety</b>				
MAIB Reportable accidents (no.)				
Near Miss to Accident Ratio (%)				
Passenger Accident (per 100 000 pax)				
Lost time injury Frequency Ratio (per million exposure hours)				

\*Performance by region and route should be attached in Annex 1

\*\*The carrying statistics should be appended as Annex 2 to this report and broken down into regions and grouped by current route by route basis. <https://assets.calmac.co.uk/media/hswlebs3/2024-annual-carryings.pdf>

\*\*\* The customer satisfaction statistics are already broken down, for example Argyll Region <https://assets.calmac.co.uk/media/iqmo2iwz/argyll-pdf.pdf>. Customer satisfaction stats should be provided in Annex 3.

### 3. Benefits Realisation Plan Performance

- CFL should work to refine the content of report submitted to Transport Scotland on a monthly basis, which includes reporting by exception, highlighting indicators exhibiting significant variance - positive or negative - by more than 10% from the year-to-date target. This provides visibility of both over and under achievement. These metrics are created to support the Benefits Realisation Plan.
- KPIs will be reviewed monthly and amended annually, if necessary, as part of the business planning process.

Key Performance Indicator	Target	Year to date actual	Year to date variance	Full year forecast	Commentary – reason for variance, recovery actions in place or opportunity to be realised
<b>1. Improve transparency and accountability, with a focus on enhancing the visibility of key organisational information to better reflect passenger experience</b>					
On-time publication of performance stats on website (%) *					
FOIs published on time (%)					
Delivery Plans published on time (%) **					
Delivery plan milestones delivered on time (%)					
Board minutes published on time (%) **					
Timetables published as per agreed dates (%) **					
<b>2. Enhance resilience and reliability of the ferry service</b>					
Asset availability rate (vessels) (%)					
Sailings cancelled due to technical issues (port and vessel) (%)					
Capacity cancelled due to technical issues (port and vessel) (%)					

Key Performance Indicator	Target	Year to date actual	Year to date variance	Full year forecast	Commentary – reason for variance, recovery actions in place or opportunity to be realised
Actual reliability (%)					
Actual punctuality (%)					
Passenger accident ratio					
Near miss ratio					
Lost time incident frequency					
Vehicle accident ratio					
MAIB Reportable Incidents					
<b>3. Optimise service performance by capacity and align transport provisions with customer and community needs</b>					
Customer OSAT (%)					
Customer trust score (%)					
Customers using digital systems (%)					
Ease of travel score (%)					
Complaints per 000 passenger					
First contact resolution					
<b>4. Enhance stakeholder engagement, improve local decision-making processes and adapt quicker and more flexibly to local issues</b>					
OSAT Islander (%)					
Trust score Islander (%)					
Community engagement hours (hr)					

Key Performance Indicator	Target	Year to date actual	Year to date variance	Full year forecast	Commentary – reason for variance, recovery actions in place or opportunity to be realised
<b>5. Enhance and promote onward and connecting travel</b>					
Booked capacity v utilised (%)					
B2B utilisation (%)					
Average vehicle deck utilisation (%)					
Customer travelled on first choice of sailing (%)					
Timetabled connections (%) (long term measure)					
Missed connections (%)					
<b>6. Improve the customer experience across all customer touchpoint with a specific focus on improving accessibility</b>					
Accessibility complaints					
Accessibility appreciations					
Delivery of accessibility audit actions on time (%)					
<b>7. Implement strategies to improve environmental sustainability in the marine environment and the communities we serve</b>					
CO2 emissions per passenger					
Waste recycled (%)					
Waste sent to landfill (%)					
<b>8. Increase and monitor proposals to recruit more local staff</b>					
Employees living locally within					

Key Performance Indicator	Target	Year to date actual	Year to date variance	Full year forecast	Commentary – reason for variance, recovery actions in place or opportunity to be realised
communities (%)					
Increase in staff retention rate **					
Employees from diverse groups (%) **					
Staff who rate CalMac as a good place to work **					
<b>9. Increase our partnership with local retailers</b>					
Local products sold onboard (%)					
Expenditure of local products sold onboard					
Funding invested in communities					

\* Measured 6-monthly

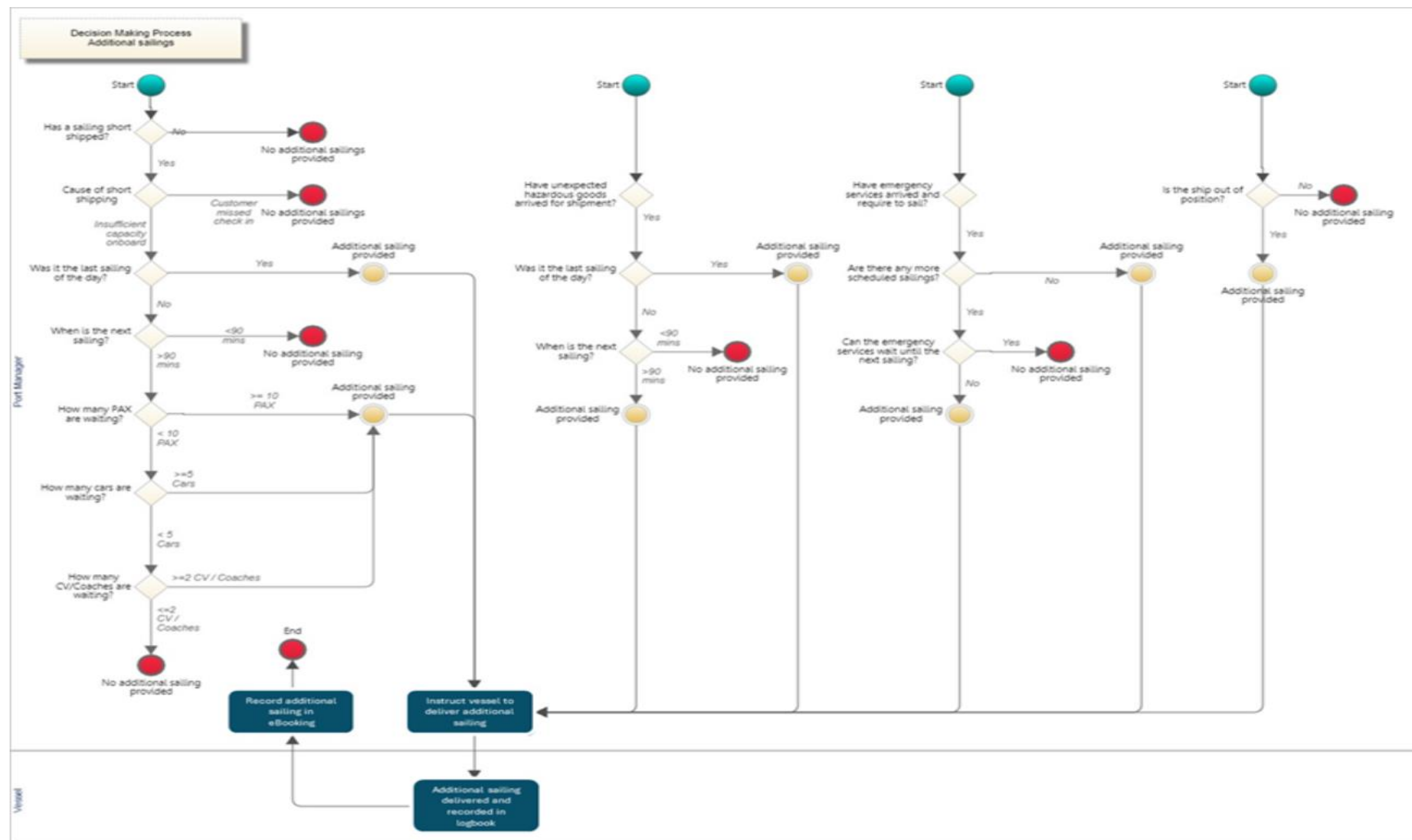
\*\* Measured annually

## Annex A Community Needs Assessment Process

Step	Activity	Current Process	Proposed Process
1	Allocation of current service to one of seven defined 'Route Service Levels' (summer/winter)	<ul style="list-style-type: none"> <li>• Transport Scotland owner</li> <li>• CFL provides data</li> <li>• Contractor conducts analysis</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owner</li> <li>• CFL conducts analysis</li> </ul>
2	Analysis of connectivity provided by the current service (summer/winter)	<ul style="list-style-type: none"> <li>• Transport Scotland owner</li> <li>• CFL provides data</li> <li>• Contractor conducts analysis</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owner</li> <li>• CFL conducts analysis</li> </ul>
3	Analysis of the performance of the current service – carryings, capacity, performance and connectivity	<ul style="list-style-type: none"> <li>• Transport Scotland owner</li> <li>• CHFS Operator provides data</li> <li>• Contractor conducts analysis</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owner</li> <li>• CFL conducts analysis</li> </ul>
4	Narrative and where appropriate, indicator around travel by island residents, leisure visitors/tourists, the island supply chain and service delivery	<ul style="list-style-type: none"> <li>• Transport Scotland Owner</li> <li>• Contractor conducts analysis</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owner</li> <li>• CFL conducts analysis</li> </ul>
Engagement Point: Confirm understanding of operational situation and community needs			
5	Gap Analysis	<ul style="list-style-type: none"> <li>• Transport Scotland Owner</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owns and leads this process in conjunction with Transport Scotland</li> </ul>
If no gaps identified, CNA concludes at Step 5			
6	Option generation and appraisal/business case scoping	<ul style="list-style-type: none"> <li>• Transport Scotland Owner</li> </ul>	<ul style="list-style-type: none"> <li>• CFL owns and leads this process in conjunction with Transport Scotland</li> </ul>

Step	Activity	Current Process	Proposed Process
<b>Engagement Point:</b> Present the options and proposed next steps and seek feedback from communities.			
<b>Transition into Transport Scotland Business Case Development process.</b>			

## Annex B: Additional Sailings decision making process





## SCHEDULE PART 12 INSURANCE

Policies to be taken out by CFL and maintained during the Grant Period

### 1. Hull & Machinery Insurance

- (a) Insureds
  - (i) CFL
  - (ii) Scottish Ministerseach for their respective rights and interests in the Agreement.
- (b) Insured Property

Any Vessel and/or craft under 25 years of age used for or in connection with the Agreement.
- (c) Coverage
  - (i) Institute port risk clauses including limited navigation but amended to exclude collision liability and protection and indemnity.
  - (ii) Institute additional perils clause or equivalent.
  - (iii) Institute war and strikes clauses hulls time or equivalent including war. War risks protection and indemnity up to hull values.
- (d) Sum Insured

At all times for such minimum amount (each Vessel or craft) as shall be agreed between Scottish Ministers and CFL but CFL may, with the agreement of Scottish Ministers, insure, as part of this Agreement, for such greater amount as CFL shall consider prudent or appropriate taking into account current ship prices and/or ship construction costs.
- (e) Territorial Limits

United Kingdom inland and territorial waters and voyages between, extended to cover all waters outside territorial limits necessary within the scope of the Agreement but no wider than institute trading warranties.
- (f) Period of Insurance

From the Commencement Date and throughout the Grant Period renewable on an annual basis unless otherwise agreed between the Parties.
- (g) Cover Features and Extensions

Waiver of subrogation rights against Scottish Ministers.
- (h) Principal Exclusions
  - (i) Nuclear/radioactive risks.
  - (ii) Chemical, biological, bio-chemical, electro-magnetic weapons and cyber-attack exclusion.

- (i) Maximum Deductible Threshold  
Not to exceed 2% of value.

## **2. Protection and Indemnity Insurance**

- (a) Insureds
  - (i) CFL
  - (ii) Scottish Ministers on a mis-directed arrow co-assured status  
each for their respective rights and interests in the Agreement.
- (b) Insured Property  
Any Vessels and/or craft used for or in connection with the Agreement for which the Insured may be responsible.
- (c) Interest  
Legal liability of the Insured (including claimants' costs and expenses) in respect of:
  - (i) death or bodily injury to or sickness of any person;
  - (ii) loss or damage to property;
  - (iii) removal of wreck;
  - (iv) pollutionarising out of the ownership or operation of Vessels and/or craft used for or in connection with the Agreement happening during the Period of Insurance plus provision to include other Cover Features and Extensions as appropriate.
- (d) Limit of Indemnity  
Not less than (in respect of any one occurrence, the number of occurrences being unlimited);
  - (i) USD4 Billion - general
  - (ii) USD1 Billion – oil pollution
  - (iii) USD 100,000,000 – liabilities and expenses caused by oil pollution during salvage operations whether they arise in respect of the insured Vessel and/or craft.
  - (iv) USD 14,000,000 – tank cleaning (specialist operation (Vessel specific)) and where such cover has been agreed by insurers in writing upon such terms as insurers may require.
  - (v) USD 4,000,000 – contractual liability (Vessel specific) and where such cover has been agreed by insurers in writing upon such terms as insurers may require.
  - (vi) USD 15,000,000 – specialist operations (Vessel specific) and where such cover has been agreed by insurers in writing upon such terms as insurers may require.

or such other amount or amounts as are available from clubs that are members of the international group of protection and indemnity clubs.

- (e) Territorial Limits  
United Kingdom inland and territorial waters and voyages between, extended to cover all waters outside territorial limits necessary within the scope of the Agreement but no wider than institute trading warranties.
- (f) Period of Insurance  
From the Commencement Date and throughout the Grant Period renewable on an annual basis unless otherwise agreed between the Parties.
- (g) Cover Features and Extensions
  - (i) International ocean towage agreement (TOWCON) in un-amended form so as not to increase the liability of the insured vessel. Not United Kingdom standard towage conditions.
  - (ii) Contractual liability (Vessel specific) and where such cover has been agreed by insurers in writing upon such terms as insurers may require.
  - (iii) Liability to persons being carried on board insured vessels.
  - (iv) Specialist operations (Vessel specific) and where such cover has been agreed by insurers in writing upon such terms as insurers may require.
  - (v) Balance 3/4ths collision liability included.
- (h) Principal Exclusions  
Nuclear/radioactive risks.

### 3. Marine Property Damage “All Risks” Insurance

- (a) Insureds
  - (i) CFL
  - (ii) Scottish Ministerseach for their respective rights and interests in the Agreement.
- (b) Insured Property  
Any marine property of whatsoever nature or description associated with and used for or in connection with the Agreement.
- (c) Coverage  
“All Risks” of physical loss, destruction or damage to the Insured Property from any cause not excluded.
- (d) Sum Insured  
At all times an amount not less than the total reinstatement or replacement value of the Insured Property plus provision to include other Cover Features and Extensions as appropriate.
- (e) Territorial Limits  
Worldwide.

- (f) **Period of Insurance**  
From the Commencement Date throughout the Grant Period renewable on an annual basis unless otherwise agreed between the Parties.
- (g) **Cover Features and Extensions**
  - (i) War risks whilst waterborne
  - (ii) Collision liability, removal of wrecks salvage whilst waterborne
  - (iii) Automatic reinstatement of sum insured
  - (iv) Replacement/reinstatement basis of claims settlement with cash option for non-reinstatement.
  - (v) Waiver of subrogation rights against Scottish Ministers.
- (h) **Principal Exclusions**
  - (i) Nuclear/radioactive risks.
  - (ii) Wear, tear and gradual deterioration.
  - (iii) Chemical, biological, bio-chemical, electro-magnetic weapons and cyber-attack exclusion.
- (i) **Maximum Deductible Threshold**  
Not to exceed 2% of value, subject to a maximum of £100,000 each occurrence.

#### **4. Marine Third Party Liability Insurance**

- (a) **Insureds**
  - (i) CFL
  - (ii) All sub-contractors of any tier employed in connection with the Agreement each for their respective rights and interests in the Agreement.
- (b) **Interest**  
Legal liability of the Insured to pay damages (including claimants' costs and expenses) in respect of:
  - (i) death or bodily injury to or sickness, loss of sight, anguish or shock whether mental or otherwise, or illness or disease contracted by any person;
  - (ii) loss or damage to property;
 happening during the period of insurance and arising out of or in connection with the Agreement.
- (c) **Limit of Indemnity**  
Not less than £50,000,000 in respect of any one occurrence or series of occurrences arising out of one event, the number of occurrences being unlimited in any annual policy period plus provision to include other Cover Features and Extensions as appropriate.
- (d) **Territorial Limits**  
Worldwide

- (e) Period of Insurance

From the Commencement Date throughout Grant Period renewable on an annual basis unless otherwise agreed between the Parties.
- (f) Cover Features and Extensions
  - (i) Full contractual liability
  - (ii) Third party property in care, custody and control of an Insured
  - (iii) Cross liability clause
  - (iv) Waiver of subrogation rights against Scottish Ministers
  - (v) Indemnity to principal's clause under which Scottish Ministers shall be indemnified in respect of claims made against Scottish Ministers in respect of death or bodily injury or third party property damage arising out of or in connection with the Agreement and for which CFL is legally liable.
- (g) Principal Exclusions
  - (i) Liability for death, illness, disease or bodily injury sustained by employees of the Insured arising out of the course of their employment.
  - (ii) Liability arising out of the use of mechanically propelled vehicles whilst required to be compulsorily insured by legislation in respect of such vehicles.
  - (iii) Liability in respect of predetermined penalties or liquidated damages imposed under any contract entered into by the Insured.
  - (iv) Liability arising from seepage and pollution unless caused by a sudden unintended, unexpected and accidental occurrence.
  - (v) Nuclear/radioactive risks.
  - (vi) War and related perils.
  - (vii) Chemical, biological, bio-chemical, electro-magnetic weapons and cyber-attack exclusion.
- (h) Maximum Deductible Threshold

Not to exceed £150,000 each occurrence or series of occurrences arising out of any one event.

**5. Compulsory Insurances (including Employers Liability Insurance and Motor Vehicle Third Party Liability Insurance)**

CFL is required to meet United Kingdom statutory insurance obligations in full. Insurances required to comply with all statutory requirements relating to the Agreement including, but not limited to, United Kingdom employers' liability and motor third party liability insurances.

Compulsory insurances shall contain an indemnity to principals clause or additional insured equivalent.

**SCHEDULE PART 13**  
**CFL'S OBLIGATIONS IN RELATION TO THE VESSELS**

**1 Interpretation**

- 1.1 References herein to “the Vessel” apply to each and/or all of the Vessels, as appropriate. References herein to the Ship Charters apply to the Ship Charter entered into in respect of the relevant Vessel and/or to all of the Ship Charters, as appropriate.

**2 Information and Compliance Undertakings**

- 2.1 CFL shall throughout the Grant Period and so long as any obligations are owing by CFL in terms of the Agreement or the GIA Letter:
- 2.1.1 comply with the provisions of the Ship Charters at all times;
  - 2.1.2 comply with the terms of the Insurances at all times;
  - 2.1.3 ensure that at all relevant times all licences, approvals, consents and permits required under Applicable Law which are (i) required for the use and operation of the Vessel, and (ii) the absence of which would either expose the Scottish Ministers to any risk of any liability or expose the Vessel to any material risk of arrest, detention or sale, are, in each case, obtained and maintained in full force and effect;
  - 2.1.4 furnish the Scottish Ministers promptly with all such information as they may from time to time reasonably require regarding the Vessel, her insurance, condition, maintenance, particulars of all towages and salvages; and
  - 2.1.5 comply with all undertakings given by it in the Ship Charters as if set out in full in this Schedule Part 13.

**3 Protection of Scottish Ministers' Rights**

- 3.1 CFL shall throughout the Grant Period and so long as any obligations are owing by CFL in terms of the Agreement or the GIA Letter:
- 3.1.1 not sell or attempt to sell, agree to sell, transfer or otherwise dispose of or (except to avoid loss of life or personal injury) abandon the Vessel, or any share or interest therein;
  - 3.1.2 promptly pay and discharge or procure that there are paid or discharged all debts, damages, liabilities and outgoings whatsoever which have given or may give rise to statutory, possessory or maritime liens on, or claims enforceable against, the Vessel or the Insurances or any part thereof and, in the event of the Vessel being arrested, seized or detained or the Insurances or any part thereof being arrested, attached or levied upon pursuant to legal process or purported legal process procure the release of the Vessel and the Insurances from such arrest, attachment or levy within 10 Business Days thereof; and
  - 3.1.3 notify the Scottish Ministers promptly by email of any arrest, seizure or detention of the Vessel or any exercise or purported exercise of an arrest, attachment, lien or other claim on the Insurances or any part thereof.

**4 Possession**

- 4.1 CFL shall not at any time without the prior consent of the Scottish Ministers and, if such consent is given, only subject to such conditions as the Scottish Ministers may impose, part with

the possession or operational control of the Vessel (other than in accordance with the Ship Charters).

## **5 Title, Registration and Name**

- 5.1 CFL shall during the Grant Period do all that may be necessary on its part to maintain in force the registration of the Vessel as a British ship. CFL will not do, or knowingly or recklessly suffer to be done, anything whereby the registration of the Vessel will be forfeited or imperilled.
- 5.2 CFL shall not without the prior consent of the Scottish Ministers (and then only on and subject to such terms as the Scottish Ministers may agree) change the name of the Vessel.
- 5.3 Throughout the Grant Period CFL shall not create or agree or purport to create any encumbrance over the Vessel, any share or interest therein or in the Insurances or requisition compensation or any part thereof (other than with the prior consent of the Scottish Ministers and in respect of CMAL Vessels, CMAL).

## **6 Maintenance and Operation**

- 6.1 Without prejudice to the provisions of the Ship Charters (where appropriate) CFL shall throughout the Grant Period:

6.1.1 at its sole cost and expense maintain the Vessel and every part of the Vessel (which includes any Transferring Assets on or fixed to the Vessel) and keep it in a good and efficient state of repair and safe operating condition, seaworthy in all respects and in accordance with good maintenance practice (fair wear and tear excepted and having regard to the age and type of the Vessel) on a non-discriminatory basis with other vessels owned and/or operated by CFL and in accordance with good industry practice for United Kingdom ferry operators and procure that all repairs to, or replacement of, any damaged, worn or lost parts or equipment are effected in such a manner (both as regards workmanship and quality of materials) as not to diminish the value of the Vessel and (without prejudice to the generality of the foregoing) CFL shall ensure that at all times:

- (a) the Vessel maintains the classification of the Vessel with the relevant Classification Society and to the extent any additional class notations are registered or proposed for registration with the Classification Society, CFL shall ensure that the Vessel maintains such additional class notations in compliance with the requirements of the Classification Society provided that any such additional class notations are consistent with the specification of the Vessel;
- (b) the Vessel complies with all other regulations and requirements (statutory or otherwise) from time to time applicable to vessels registered in the Flag State or otherwise applicable to the Vessel, her Master, officers and crew (including in relation to the number of crew) wherever the Vessel may proceed or trade and (without prejudice to the generality of the foregoing) at its own expense maintain in force for the Vessel all safety, radio, loadline and other certificates whatsoever and all licences and permits which may from time to time be prescribed by any legislation in force in the Flag State, any relevant port state or other applicable jurisdiction;
- (c) ensure CFL complies at all times with any terms of the Insurances relating to the condition or inspection of the Vessel;

- 6.1.2 permit the Scottish Ministers by surveyors or other persons appointed by them for such purpose to board the Vessel at all reasonable times (but no more than twice in any Financial Year other than in circumstances where an Event of Default has occurred) for the purpose of inspecting her, including giving access to such persons to the Master's Log and afford all proper facilities for such inspections and for this purpose give the Scottish Ministers reasonable advance notice of at least 30 days of any intended drydocking (or other underwater inspection of the Vessel) of the Vessel (whether for the purpose of classification, surveyor otherwise) and the Scottish Ministers will be entitled to be represented at such dry dock. The proper and reasonable costs of such inspections and surveys must be paid by CFL. All inspections and surveys of the Vessel will be carried out at such times and in such places and in such manner as to minimise delaying the use and operation of the Vessel, but the Scottish Ministers will not be obliged to carry out such inspections only during periods of drydocking;
- 6.1.3 notify the Scottish Ministers forthwith upon becoming aware of the same by email thereafter confirmed by letter and in reasonable detail of:
- (a) the hijacking, confiscation, seizure, impounding, arrest, taking in execution, forfeiture or detention of the Vessel or any major part thereof or any requisition for hire at any time of the Vessel;
  - (b) any requirement or recommendation made by the Classification Society or by any insurer or any competent authority which is not, or cannot be, complied with in accordance with its terms;
  - (c) any death or serious or potentially serious injury to a third party or substantial damage to property, caused by, or in connection with, the Vessel;
  - (d) any single casualty or other accident or damage to the Vessel which may be or become a Total Loss (as that expression is defined in the relevant Ship Charter or which may involve repairs or maintenance costing more than £100,000;
  - (e) any assistance which has been given to the Vessel which has resulted or may result in a lien for salvage being acquired over the Vessel;
  - (f) any collision or other accident or incident involving damage to the Vessel the repair cost of which is likely to exceed £100,000 (or the then equivalent in any other currency);
  - (g) any other event which occurs in connection with the Vessel which affects or may reasonably be expected to affect the rights of the Scottish Ministers or involves or may reasonably be expected to involve any loss or liability;
  - (h) the occurrence of any litigation involving, or criminal proceedings against, CFL;
  - (i) any notices, requirements or recommendations made by or on behalf of a governmental or statutory body or agency. This includes, but is not limited to, notices, requirements or recommendations made by or on behalf of:
    - (i) an Inspector under the Welfare of Animals (Transport) Order 1997 or the Animal Health Act 1981;



- (ii) the Health and Safety Executive (HSE);
- (iii) the Scottish Environment Protection Agency (SEPA);
- (iv) Maritime and Coastguard Agency (MCA).

- 6.1.4 in the event of a casualty or maintenance referred to in paragraph (d) above, CFL will notify the Scottish Ministers orally within 48 hours of discovery and in writing within 72 hours after the discovery of the event. CFL shall notify the Scottish Ministers of the plan and time frame for rectification (if applicable) as soon as possible thereafter;
- 6.1.5 maintain all such records, logs, manuals, technical data and other materials and documents which are required to be maintained in respect of the Vessel to comply with any Applicable Laws or the requirement of the Classification Society and, on notice from the Scottish Ministers, permit the Scottish Ministers or their representatives at any time to examine and take copies of such logs and other records;
- 6.1.6 procure that the Scottish Ministers are not at any time represented by CFL, its contractors, agents, employees, representatives and/or subcontractors as carrying goods or passengers or providing any other service on or from the Vessel or as having any operational interest in, or responsibility for, the Vessel.
- 6.1.7 do or cause to be done all things necessary to comply with all national, international and state conventions and laws (and any rules and regulations thereunder) applicable to CFL and/or the Vessel including, without limitation, the Merchant Shipping Act 1995, the International Convention for the Safety of Life at Sea (SOLAS) 1974 as amended from time to time the IMO document International Convention for the Prevention of Pollution from Ships (MARPOL) and to the extent applicable, the Oil Pollution Act of 1990 of the United States of America (including, without limitation, the requirements thereunder relating to manning and the establishment of financial responsibility), the Comprehensive Environmental Response Compensation and Liability Act of the United States of America, other federal and state laws of the United States of America and international conventions, laws, rules and regulations relating to environmental matters, including those relating to discharges of oil, petroleum, petroleum products and distillates, chemicals, pollutants and other substances and the Terrorism Act 2000.
- 6.1.8 maintain an emergency response plan and undertake the appropriate exercises for training purposes.

## SCHEDULE PART 14

### TUPE

#### 1. PRE-SERVICE TRANSFER OBLIGATIONS

##### 1.1 CFL agrees that, subject to compliance with Data Protection Law:

1.1.1 within twenty (20) Business Days of the earliest of:

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

1.1.3 receipt of the giving of notice of early termination of the Agreement or any part thereof; or

1.1.4 the date which is twelve (12) months before the Expiry Date; or

1.1.5 receipt of a written request of the Scottish Ministers at any time,

it shall provide the 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 Provisional Staff List at such intervals as are reasonably requested by the Scottish Ministers;

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

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

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

##### 1.3 CFL warrants, for the benefit of the Scottish Ministers and any Incoming Operator, that the information provided under paragraphs 1.1 and 1.2 of this Schedule Part 14 shall be true and accurate in all material respects.

##### 1.4 From the date of the earliest event referred to in paragraph 1.1, CFL agrees and shall procure that its Associated Companies and subcontractors agree, for the benefit of the Scottish Ministers and any Incoming Operator, that they shall not, other than in the ordinary course of business, in respect of those employees engaged in the provision of the Services:

1.4.1 replace or re-deploy any such employee other than where any replacement is of equivalent grade, skills, experience and expertise;

1.4.2 make, promise, propose or permit any changes to their terms and conditions of employment (including any payments connected with the termination of employment);

- 1.4.3 increase the proportion of working time spent on the Services (or the relevant part thereof) by any of the employees save for fulfilling assignments and projects previously scheduled and agreed;
- 1.4.4 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 Provisional Staff List; and
- 1.4.5 increase or reduce the total number of employees so engaged, replace any employee listed on the Provisional Staff List or deploy any other person to perform the Services (or the relevant part thereof) or terminate or give notice to terminate the employment or contracts of any persons on the Provisional Staff List save for:
  - (c) the execution of assigned operations as detailed in 1.4.3; and/or
  - (d) replacing voluntary resignations or 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.
- 1.5 CFL 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 CFL (or any Associated Company or subcontractor) or received from any persons listed on the Provisional Staff List regardless of when such notice takes effect.
- 1.6 During the Grant Period, CFL 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 Data Protection Law) including without limitation the Staffing Information and, upon reasonable request by the Scottish Ministers and subject only to any limitation imposed by Data Protection Law, CFL 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.
- 1.7 Within seven (7) Business Days following the Service Transfer Date, CFL will provide to the Scottish Ministers or any Incoming Operator, in respect of each person on the Final Staff List who is a Transferring Employee:
  - 1.7.1 the most recent month's copy pay slip data;
  - 1.7.2 details of cumulative pay for tax and pension purposes;
  - 1.7.3 details of cumulative tax paid;
  - 1.7.4 tax code;
  - 1.7.5 details of any voluntary deductions from pay; and
  - 1.7.6 bank/building society account details for payroll purposes.

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

- 2.1 The Scottish Ministers and CFL will proceed on the basis that the commencement of the provision of all or any part of the Services by an Incoming Operator under a New Contract will be a “**Service Transfer**”. The Scottish Ministers and CFL further agree that, as a result of the operation of Employment Regulations, a Service Transfer will be a Relevant Transfer and the

contracts of employment between CFL (and/or any Associated Company) and the Transferring 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 Employee.

- 2.2 CFL shall procure that any subcontractor, whether engaged by CFL or an Associated Company, shall perform and discharge all its obligations in respect of all the Transferring Employees up to the Service Transfer Date and any necessary apportionments in respect of any periodic payments due to them will be made. CFL shall indemnify the Scottish Ministers for itself and on behalf of any Incoming Operator against all Employee Liabilities arising from CFL's, any Associated Company's or any subcontractor's failure to perform and discharge any such obligation.
- 2.3 CFL (on behalf of itself and any Associated Company) shall indemnify the Scottish Ministers, for themselves and on behalf of any Incoming Operator, against any Employee Liabilities in respect of the Transferring Employees arising from or as a result of:
  - 2.3.1 any act or omission by CFL, any Associated Company or any subcontractor occurring before the Service Transfer Date;
  - 2.3.2 any claim made by or in respect of any person employed or formerly employed by CFL, any Associated Company or any subcontractor other than a Transferring Employee for which it is alleged that the Scottish Ministers or any Incoming Operator may be liable by virtue of this Agreement and/or Employment Regulations;
  - 2.3.3 any claim made by or in respect of a Transferring Employee or any appropriate employee representative (as defined in Employment Regulations) of any Transferring Employee relating to any act or omission of CFL, any Associated Company 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 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;
  - 2.3.4 any statement communicated to or action undertaken by CFL and/or any Associated Company to, or in respect of, any Transferring 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;
  - 2.3.5 in relation to any proposed change by CFL and/or any Associated Company in the working conditions or terms of employment of any Transferring 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;
  - 2.3.6 a failure of CFL and/or any Associated Company 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 Employees in respect of the period on or before the Service Transfer Date;

- 2.3.7 in respect of any fact or matter concerning or arising from the Transferring Employees employment, or the termination thereof, before the Service Transfer Date including any claim for a redundancy payment;
- 2.3.8 in relation to the breach or non-observance by CFL and/or any Associated Company 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 Employees; and
- 2.3.9 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:
- (e) in relation to any Transferring 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
  - (f) in relation to any employee who is not a Transferring Employee, and in respect of whom it is later alleged or determined that Employment Regulations applied so as to transfer his/her employment from CFL (or any Associated Company) 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.
- 2.4 The Scottish Ministers shall procure that the Incoming Operator shall indemnify CFL and/or any Associated Company 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 Employees 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 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 Employee to the material detriment of a Transferring Employee.
- 2.5 The Scottish Ministers shall procure that the Incoming Operator shall indemnify CFL and/or any Associated Company against any claim made by or in respect of a Transferring Employee or any appropriate employee representative (as defined in the Employment Regulations) of any Transferring 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 CFL failure to comply with its obligations under Employment Regulations.
- 2.6 In the event of a Service Transfer to which Employment Regulations do not apply the following provisions shall apply:
- 2.6.1 the Scottish Ministers can, and shall advise the Incoming Operator that it can, in its discretion make a written offer to any of the employees identified on the Provisional Staff List to employ that employee under a new contract of employment, to take effect on the day after the cessation by CFL of the provision of the Services (or the relevant part of the Services) in which such employee was employed;

- 2.6.2 when the offer has been made by the Scottish Ministers or Incoming Operator and accepted by any employee or worker, CFL (and/or the relevant Associated Company) shall permit the employee or worker to leave its employment, as soon as practicable depending on the business needs of CFL and which could be without the employee or worker having worked his full notice period, if the employee so requests;
- 2.6.3 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 CFL and or the relevant Associated Company and all Employee Liabilities in relation to the employee shall remain with CFL and/or the Associated Company and CFL shall indemnify the Scottish Ministers for themselves and on behalf of any Incoming Operator against any Employment Liabilities that either of them may incur in respect of any such employees of CFL and/or any Associated Company.

FINAL - SIGNED ON 23/09/25