



# 3 YEAR CORPORATE PLAN 2016-2019

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## Our Corporate Plan

This plan outlines our vision for the Ferries, Harbours and Piers which enable the delivery of the Clyde and Hebrides Ferries Services (CHFS 2) contract and sets out what we expect to achieve in the next three years.

We will foster our relationship with CalMac Ferries Ltd (CFL), the CHFS operator and the island and rural communities where our services have an impact. We will plan our investments to deliver outputs against our strategic priorities which are aligned to the national objectives set out by the Scottish Government.

### Funding

Primarily Caledonian Maritime Assets Ltd (CMAL) receives its capital funding from Scottish Government in the form of voted loans for vessels and grant in aid for piers and harbours. Revenue generated from vessel charter fees and harbour access charges is used to repay loans, fund maintenance, small scale capital projects, pension liabilities, general running costs and to build up a contribution for the larger capital spends.

Planning for large infrastructure projects takes time and resource and ideally funds should be identified to allow projects to be developed and delivered in a cost effective manner. CMAL is aware of the challenging fiscal environment in which we operate and actively seeks solutions to address this and allow a long term investment plan to be implemented.

### What we do

Working with stakeholders CMAL is committed to the long term development and improvement of all our assets, including the ships and ports, under our charge.

CMAL currently owns:-

- 32 ferries of varying capacity (3 new vessels in build / under contract development through 2016 to 2018).
- 26 harbour facilities throughout the west coast of Scotland and the Clyde Estuary, associated with the provision of the lifeline ferry services;
- Additionally, CMAL leases land and property at a number of other ports and harbours.

CMAL makes these assets available for use by:-

- CalMac Ferries Limited, who operate the Clyde and Hebrides Ferry Services; 31 Ferries currently
- Rathlin Island Ferries Limited who operate between Rathlin Island and Ballycastle in Northern Ireland; 1 Ferry

As Harbour Authority for a number of ports CMAL is also committed to offering open access to these ports for third parties ensuring that lifeline ferry services are not compromised.

# Corporate Governance

Caledonian Maritime Assets Limited is a publicly owned company with Scottish Ministers as the sole shareholder. The Company Board has an executive management team and supporting staff at its headquarters in Port Glasgow.

## The Strategic Priorities

**Wealthier and Fairer** – by facilitating people to work and goods to market, we play our part in enabling businesses and people to increase their wealth and more people to share fairly in that wealth. Efficient harbours and ferries will enhance and improve connectivity for business freight and tourism, supporting an increase in sustainable economic growth.

**Smarter** – by providing first class ferries and harbours to the operators to run efficient and timely services, we increase accessibility to further education and employment opportunities facilitating and sustaining remote communities.

**Healthier** – by improving the infrastructure vital for lifeline ferry services, we can help provide better, local and faster access to healthcare.

**Safer and stronger** – through port development, we can help local communities to flourish, becoming safer and stronger places to live, offering improved opportunities and a better quality of life.

**Greener** – by engineering environmental improvements into our future plans we aim to minimise our impact on the environment and contribute towards a greener Scotland.

## Our Mission, Vision, Goals and Values

### Mission

*'To provide, safeguard and develop ferries and harbours'*

### Vision

*'To be the pre-eminent provider of the most cost effective and innovative vessels and port infrastructure for the communities we serve'*

### Goals

To provide safe and efficient vessels, harbours and associated port infrastructure for operators, communities and users in and around Scotland and, through consultation and involvement of stakeholders and robust strategic planning, advise Scottish Ministers on future developments and improvements.



## Our Guiding Values

### Responsibilities

- To the Scottish Government - to manage our business in line with corporate governance best practice;
- To our operators - to provide the necessary vessels and infrastructure to enable our operators to deliver their obligations within the public services contract;
- To local communities - to understand the needs of local communities and to work with them to develop opportunities;
- To our employees - to respect the rights of our employees and to provide them with safe working conditions;
- To our business partners - to seek mutually beneficial relationships with current and future partners, contractors, suppliers, statutory bodies and tenants;
- To society - to conduct business as responsible members of the community, to observe our legal and statutory obligations, to give proper regard to health and safety and the wellbeing of the environment.

### Business Integrity

- We insist on honesty, integrity and fairness in all aspects of our business.

### Health and Safety

CMAL has an absolute commitment to Health and Safety and accepts its obligation to protect its employees and other port users. To this end, we will measure, appraise and report on performance.

### Communities

We seek to be a responsible organisation by behaving in a socially responsible manner. We will endeavour to contribute to the economic wellbeing and development of the communities where we conduct business.

### Communication

We recognise that open communication is essential, and will achieve this by having:

- Experts in managing and procuring assets;
- Proficient financial management and reporting;
- CMAL brand and reputation for delivering on our vision;
- Robust processes and frameworks;
- Innovative and dynamic people.

## Our Strategic Challenges

The Scottish Government is implementing its policy programme through five overarching strategic objectives to focus government and public services to create a more successful country, with opportunities for all of Scotland to flourish through sustainable economic growth.

This corporate plan demonstrates our contribution to the achievements of national priorities by aligning our activities with the national and local priorities.

There will be on-going budget pressures as a consequence of under investment in our harbour and pier infrastructure prior to the formation of CMAL, coupled with a commitment to provide modern, efficient ferries for our island and remote communities of Scotland.

### CMAL Measuring Success

- By implementing internal quality controls and processes we will maintain our fixed overheads to below 10% of our income enabling us to invest more on improving our services
- Through on-going stakeholder consultation we will help deliver our projects on time, and to budget
- By providing more opportunities for commercial, coupled with our goal of accessing other funds (including European funds), we will maximise our income.
- By investing in more fuel efficient and innovative ferries we have the opportunity to reduce our environmental impact in line with the Government targets, for example; A 1% reduction in fuel consumption would result in a decrease in CO2 emissions of approx. 1,200 tonnes
- Our hybrid battery powered ferries will reduce CO2 emissions by a minimum of 20% compared with similar sized conventional vessels.
- Replacement ferries through modern design and efficient engine systems significantly reduce fuel consumption when compared to the existing ferries serving the route.
- Surplus vessels will be sold or recycled as new vessels are introduced into the fleet.
- We will continue to assess the suitability of existing ferries for further long term investment with a view to extending their useful life.



## 3 Year Corporate Plan – Vessels

The company currently owns a fleet of 32 vessels and have an operational lease in place for one other. Additionally three vessels are currently under construction at Ferguson Marine Engineering Limited. All vessels are capable of carrying passengers, cars and freight and many are arranged to enable the carriage of the various categories of dangerous goods required to be shipped on and off the Islands.

The vessels can be grouped into various different types by size and/or classification;

- Euro B            12
- Euro C            16
- IV & V            4

The majority of the vessels are on charter to CalMac Ferries Limited (CFL) until 30th September 2016 and are operated by them on the Clyde and Hebrides Ferry Services (CHFS)<sup>1</sup>. One vessel is chartered to Rathlin Island Ferries Ltd in Northern Ireland.

The CHFS2 Tender result was announced in May 2016 and Calmac Ferries Limited will remain the operator from 1st October 2016 for a period of eight years until 30th September 2024.

The vessels have been designed to meet the needs of the communities they serve in terms of economy, tourism and environment. The designs have, however, been constrained by the ports they operate from, many of which require shallow draft, highly manoeuvrable vessels to enable them to operate safely and reliably, as well as having flexibility of operational routes. Additionally they are required to meet stringent flag state requirements for passenger vessels and the requirements of the Classification Society.

### The three main areas we will be focussing on are: -

#### I. Ensuring the existing vessels remain suitable for the services they are employed in.

There is a requirement that the existing vessels remain in a condition suitable for the CHFS they are employed on; this is embodied in the agreements between the owner and charterer. Primarily the vessels' hull, superstructure, machinery and all other equipment has to be inspected and maintained by the charterer in such a manner and at the required time intervals to enable the authorities to issue the necessary certificates allowing them to carry passengers, cars and freight.

In addition, to ensure the general level of service offered to the users is upheld and the asset value of the vessel is retained as much as possible. There is a requirement to maintain the condition of all parts of the vessel at the level at which they were taken over by the charterer and also to identify any owner/charterer upgrades that may be necessary to give the users the changing level of safety, reliability and comfort of and service that is expected.



There is an on-going requirement to identify and implement any statutory upgrades required by the various certifying regimes.

MV Catriona will be under its guarantee period with the shipbuilding yard through 2016 to 2017 and any defects and deficiencies will be attended to.

## **2. Ensuring progress is made in developing the detailed designs and the construction of the vessels on order.**

The third hybrid vessel is predicted to be completed by Ferguson Marine Engineering Limited. In Q3 2016 This vessel will be a sister vessel to the 2 previous hybrids but will include a number of modifications identified after experience of operations with the previous vessels.

The two x 102.4m dual fuel vessels are under construction at Ferguson Marine Engineering Limited. It is anticipated that these vessels will be fuelled by liquid natural gas to reduce emissions, principally NO<sub>x</sub>, SO<sub>x</sub> and PM and will also be capable of running on marine gas oil. The vessels will be part of the replacement fleet, enabling the Scottish Governments ferry plan to be implemented.

There are some current challenges in regards to the provision of LNG in Scotland that is currently being studied and discussed.

## **3. Developing plans for possible replacement vessels.**

Statement of requirements and concept designs will be developed for a new vessel, approximately 90m in length. The vessel will be part of the replacement fleet enabling the Scottish Governments ferry plan to be implemented.

It is expected the vessel will be ordered in late 2018 and enter service 2021.

Following this order, designs will be developed for a variety of further replacement vessels maintaining a focus on safety, comfort, reliability, efficiency and effectiveness.

We will work closely with The Scottish Government and Transport Scotland to agree funding for the replacement of our vessels, and will also seek alternative sources of funds from both private, commercial avenues and accessing grants from both Europe and UK programmes.

<sup>1</sup> CHFS is a Public Service Contract awarded by the Scottish Government to operate a network of 28 routes serving 24 islands and linking four peninsulas.



## Vessels

	Projects	Project details	Resources
2016-19	Fleet inspection programme	Identify any required upgrades, modifications or refits.  Ensure vessels are being maintained as per charter parties.	Senior Technical Manager and Consultancy when required.  Capital cost per annum circa £3M
2016-17	New Build	MV Catriona	Senior Technical Manager.  Revenue cost £70K
2018-19	Guarantee New Build	New 102.4m Vessels	Senior Technical Manager.  Revenue cost £70K
2016-17	Disposal of Canna	Sale of Canna either as a going concern or for recycling	Senior Technical Manager plus Shipbroker
2016-19	Sale of a number of older vessels	Sold as going concerns or for recycling	Senior Technical Manager plus Shipbroker
2016	CHFS2	Development and execution of Fleet charter party for period 2016-2022/24	Senior Technical Manager, Directors and Lawyers  Circa £100K
2016-18	Fleet replacement programme	Oversee the on-going construction and delivery of the 2 x 102.4m Vessels.	Senior Technical Manager plus yard inspectors.  Capital cost over build period circa £97M
2017	Fleet replacement programme	Develop statement of requirements and concept designs for new vessel, approx. 90m in length.	Senior Technical Managers plus Consultants  £200K
2018-19	Fleet replacement programme	Placing order for 1 x 90m approx. vessel after tender evaluation.  Approval of detailed designs and equipment supply.  Oversee construction, tests and trials.	Senior Technical Managers plus yard inspectors and Consultancy when required.  Capital cost over build period circa £40M
2016-19	Hydrogen fuelled ferry	Develop the design of a hydrogen fuelled passenger ferry to tender stage.	Senior Technical Manager, Director plus Consultants and industry collaborators  £500K
2019	Fleet replacement programme	Develop the designs of future vessels.	Senior Technical Managers plus Consultants  £200K
2016-19	Customer base	Strengthen relationships with vessel operators	CMAL Directors (all)

Output	
Risk	Benefit
Failure to maintain fleet to required standards leading to unreliability and unfit for purpose.	Fleet maintained to a standard that preserves future charter revenues
Vessel fails to meet its full potential	Vessel delivers its contribution to fleet improvements and capabilities in terms of efficiency and effectiveness and capacity.
Vessels fail to meet their full potential	Vessels deliver their contribution to fleet improvements and capabilities in terms of efficiency and effectiveness and capacity.
Vessel not sold and remain laid up and deteriorating	Incoming cash
Vessels not sold and remain laid up and deteriorating	Incoming cash
Documentation not available for ongoing chartering of the fleet	Clearer documentation that will allow easier management of contracts and vessel renewal/disposal
Vessel not constructed or tested to required standards resulting in unreliability or expensive reworking.	Vessel delivers long term performance benefits and reliability and minimum maintenance requirements
Designs not available to deliver the outcomes of the SG ferry review and vessel replacement strategy	Meet the strategic aims and priorities of the Scottish Government
Vessels not designed, constructed, equipped or tested to fully meet the requirements in terms of reliability and efficiencies and fitness for purpose.	Improved customer experience and reductions in fuel consumption and emissions. Enhanced reliability and customer experience of services
Lack of development of technology that enables the use of renewable energy sources	A vessel that will have zero exhaust emissions
Designs not available to deliver the outcomes of the SG ferry review and vessel replacement strategy	Meet the strategic aims and priorities of the Scottish Government
New technologies are not introduced to routes and areas outwith CHFS	Grows customer base for our vessels and designs

## 3 Year Corporate Plan – Harbours

CMAL has responsibility for harbour management, maintenance and improvements at 26 locations throughout Scotland.

In addition, property is leased and owned at a number of locations and is used for delivery of the CHFS services.

At CMAL we aim to provide efficient, cost effective and safe harbours and associated port infrastructure for operators, communities and users in and around Scotland. The Harbours team are undertaking a number of projects which will deliver on our commitment by:-

- Provide and manage an integrated strategic infrastructure plan for harbours and infrastructures and to source funding to realise this plan;
- Progressing a Harbour Orders Programme of renewal and updating which allows CMAL to meet its contractual and Harbour Authority obligations and to provide the right harbour facilities for the operator; CFL, to deliver lifeline ferry services;
- Working closely with the Port and Ferry Operators to continue development and improvement of an interactive management programme at each port which will provide relevant information for ongoing maintenance and auditing operations;
- Delivering the outcomes and recommendations from the Scottish Ferries Plan.

Working in partnership with the current operators as well as consulting and involving local communities and stakeholders is key to the success of our objectives and we look forward to working through the challenges ahead with a fully consultative approach.

### Harbours

	Projects
2016	Delivery CHFS2 and assisting with procurement as required.
2016-19	Maintenance
2016-19	Deliver major M&R Works
2016-18	Harbour Improvement Works Prioritise and deliver safe and efficient port infrastructure in line with funding available and to suit vessel design  Work in partnership with stakeholders to deliver expectations
2016-19	Improve and develop operator and stakeholder relations
2016-19	Develop opportunities for harbours and property where appropriate
2016-19	Provide a safe and efficient port environment



		Output	
Project details	Resources	Risk	Benefit
Delivery of:- Harbour Access arrangements and dues Harbour Operating arrangements Property and equipment arrangements Insurance arrangements	£150k Technical and legal support	Unsuitable contracts results in poor infrastructure management and use	Appropriate framework in place to allow the proper management of CMAL's port infrastructure
Agree and prioritise maintenance requirements  Deliver the agreed annual maintenance plans	£5m pa	Infrastructure unsuitable for ferry service delivery and access to rural communities compromised	Infrastructure continues to be available for the provision of services and maintenance costs reduce over time due to a proactive program of inspection
Linkspan works and M&R (2016-19)	£1.5m pa	Infrastructure unsuitable for ferry service delivery and access to rural communities compromised	Infrastructure continues to be available for the provision of services and maintenance costs reduce over time due to a proactive program of inspection
Passenger Access works and M&R (2016-18)	£500k pa		
Wemyss Bay fendering, structure, building, roundhead repairs and linkspan refurbishment(2016)	£5.5m	Infrastructure unsuitable for ferry service delivery and access to rural communities compromised	Fit for purpose and appropriate infrastructure in place to meet current and future needs and community aspirations
Colintraive and Rhubodach (2016-17)	£3m		
Lochaline Alignment Structure (2016-18)	£2m		
Oban No1 Linkspan replacement and Lismore slip works (2016-17)	10m		
Port Ellen Linkspan replacement (2016-17)	£500k		
Brodick Harbour Development (2016)	£25m		
Gourock Master planning and Linkspan replacement (2016-18)	£6.5m		
Visit the communities which we serve regularly Meet with the operators on a routine basis Develop plans jointly with the operator and stakeholders Take advantage of working in partnership with communities where appropriate Provide advice and support with respect to port management and harbour infrastructure. Assist with professional skills to deliver infrastructure projects for trust ports.	£250k pa	Poor stakeholder relations resulting in conflict and failure to provide appropriate infrastructure	Good stakeholder relations with partnership working and project delivery
Market the facilities effectively Ensure schedule of charges in line with activity and need Work with existing customers to provide better facilities Improve efficiency through development of innovative ways of working	£250k pa	Insufficient revenue for port operations and improvements	Improved facilities and wider customer base
Progress with the Harbour legislation strategy Development of innovative ways of working Provide and manage the right safety management framework in which operators will undertake their activities	£200k pa	Infrastructure unsuitable for ferry service delivery and access to rural communities compromised	Safe and sustainable facilities with the correct legal framework in which to operate in place

## 3 Year Corporate Plan – Corporate Services

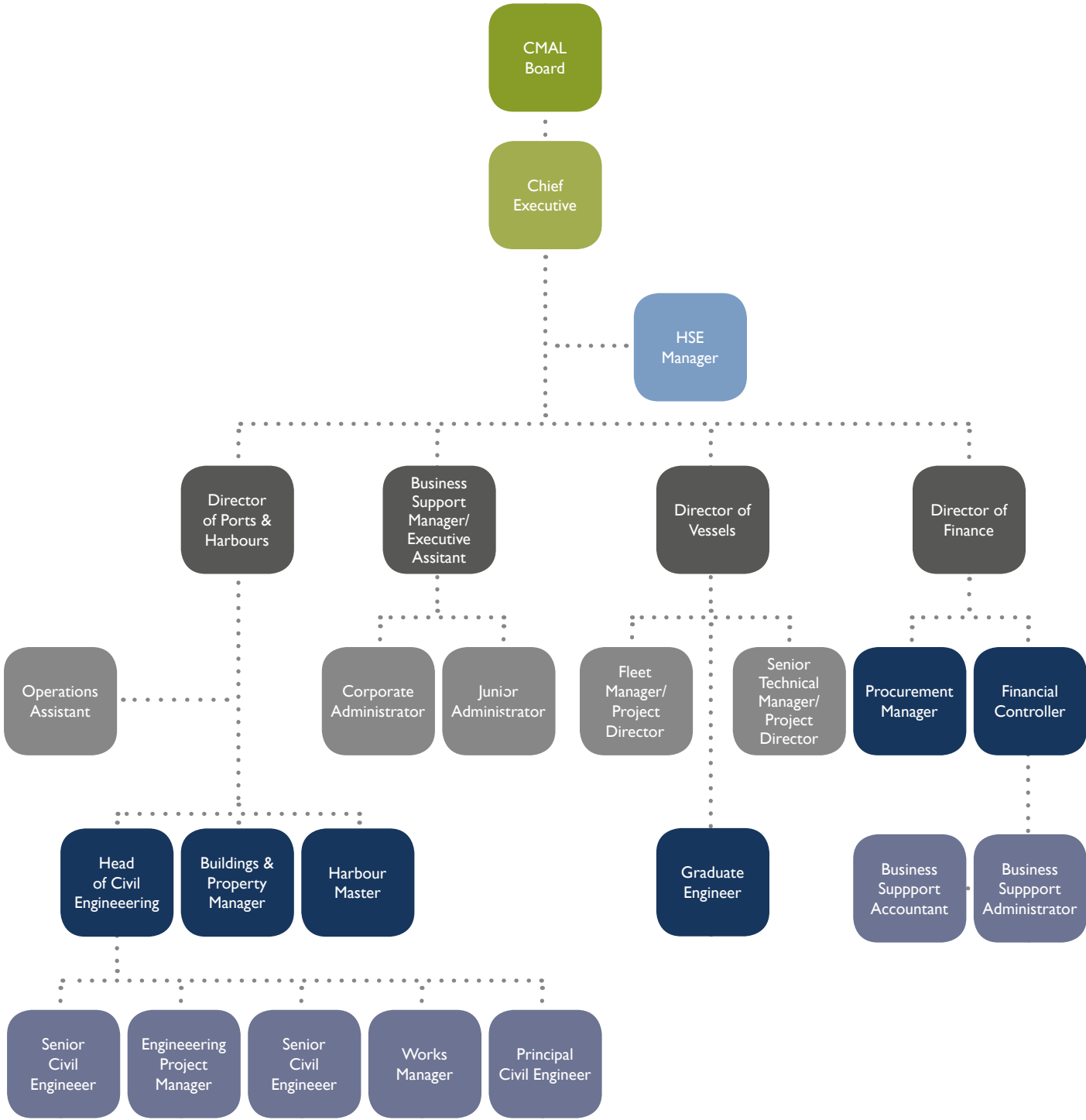
A key part of CMAL's ability to deliver on all of our outcomes relates to how we are able to develop our organisation in the future. The resources that are available and how we use these resources within CMAL are key consideration which will influence our success over the next three years. Our 2016 Operating Plan and Strategic Planning processes will help ensure that we continually review, and assess the impact of our activities against the national outcomes. This will in turn improve organisational efficiencies which will free up resources to better support our key services.

As well as driving our own internal efficiencies through our Quality Management System, which is ISO 9001 accredited, we will also work with the operators, local councils, and Government to explore ways in which new methods of working and organisational arrangements will further improve services and reduce costs and increase revenues.

We will train develop our staff to support our desire for continuous improvement, and will review the performance appraisal system to ensure that it is delivering its objectives, which will then be linked to the pay remit in order to recognise and reward our staff in their delivery of high quality services. Training is a core part of CMAL's culture and we will continue to invest in training and development opportunities and physical working conditions to ensure that our staff are applying best practice and knowledge to the services and are able to carry out their role to the best of their abilities.

CMAL is also focused on delivering high quality services by using affordable and time saving technology solutions.

We will continue to develop the corporate identity of CMAL in order to raise our profile with both internal and external stakeholders. This will help set expectations which we will deliver through a consistent and positive approach to the services we provide, maintaining a focus on the service users at all times. We aim to provide a flexible, high quality Asset Management service which will utilise our staff and resources to the best of our ability.



## CMAL Corporate Services

	Projects	Project details
October 2016	Delivery of CHFS2 including assisting CHFS2 procurement team as required	<p>Prepare for the new CHFS2 Contract</p> <p>Tendering 1st Quarter 2015</p> <p>Prepare and provide draft contracts</p> <p>Prepare and provide the calculations of the charges for the CMAL vessels and the harbour access charges</p>
2016 - 18	Crystallise pension liabilities	<p>Work with the other members to crystallise the liabilities</p> <p>Participate in a review of the CalMac Pension Scheme</p>
2016	IT Infrastructure upgrade	<p>Replace IT hardware in line with 3 year replacement plan</p> <p>Upgrade software</p> <p>Renew IT</p> <p>Improve functionality and reliability of our IT systems</p> <p>Improve overall project and asset management systems</p>
2016	Review Procurement processes and procedures to ensure that they are legally compliant and sufficiently robust to drive value for money for CMAL	Improvements through Procurement Capability Assessment
2016 - 17	Continuous review of Staff employment conditions	<p>Negotiate new pay remit in conjunction with advice from Transport Scotland</p> <p>Job re-evaluation</p> <p>Performance Review</p> <p>Provide up to date HR Staff Policy guidelines</p> <p>Deliver output from Staff workshops</p> <p>Improved Safety Processes, delivery and awareness.</p> <p>Improve inter- office communication processes – one team/one focus</p> <p>Consider limitations of Head Office arrangements, identify longer term solution</p>
2016 - 17	Business Development	<p>Explore opportunities with the Hyseas Project for innovative hydrocarbon fuel saving initiatives within the port environment</p> <p>Continue to introduce Electric Vehicle Charging Points across the CMAL network in line with Transport Scotland's Strategy to reduce carbon emissions</p> <p>Hydrogen Ferry Project</p> <p>Opportunities for CMAL to manage other transport assets.</p> <p>Diversify into other markets</p> <p>Other EU grant / funding opportunities</p> <p>Create strategic partnerships</p>
Annually	Prepare corporate plans	<p>3yr Corporate Plan</p> <p>Operating Plan</p> <p>Annual Report</p> <p>Gaelic Language Plan</p>
	Brand Development	Develop awareness of CMAL and our strategic aims and how these align with Scottish Government
	Other	Improve control over our PR



	Output	
Resources	Risk	Benefit
Internal staff resource as required	<p>The new charges are not correctly calculated and result in CMAL not being able to cover its future costs or carry out its obligations.</p> <p>The new contracts are not robust enough to ensure that CMAL can operate efficiently and effectively in the new CHFS2 contract period</p>	CMAL are best placed to assist in the delivery of the CHFS2 contract
FD, CEO, Board and SG	The additional costs become unaffordable, the business is no longer a going concern	Sustainable and predicible liabilities
£60,000	Poor performance from Hardware, less efficient working	CMAL has effective, up to date IT infrastructure in place to meet the business needs
Realise financial savings through better procurement	<p>Do not comply with procurement guidelines</p> <p>Poor contract management</p>	<p>Reduce spend through enhanced procurement</p> <p>Good contract management</p> <p>More strategic procurement</p>
	<p>Staff feel undervalued</p> <p>Unable to attract the best people to the company to enable efficient growth</p>	<p>Put in place new pay remit</p> <p>Jobs evaluation completed</p>
<p>300k grant funding from Energy Savings Trust Scotland</p> <p>£465k project costs</p> <p>£400k funding Grant</p> <p>Attendance at EU conferences and other Networking events</p>	Lack of leverage fails to attract funding / loans from SG	Successful in attracting additional £2M funding into CMAL
£7,000 annually	Failure to submit plans for approval within the designated time	CMAL plans are approved by SG
Consultancy support	Ambiguity and misunderstanding of CMALs role leads to poor press coverage	CMAL's brand is enhanced and we gain recognition for our achievements