



International Mobile Satellite Organization

ADVISORY COMMITTEE

Nineteenth Session

4 – 5 July 2007

Agenda item 4

IMSO/AC/19/4/ADD/1

Origin: Director

Date: 3 July 2007

DIRECTORATE ACTIVITIES

Executive Summary:	further to document AC/19/4 issued on 20 June 2007, updates regarding accommodation and financial issues as well as the provisional application of the amendments to the IMSO Convention
Action to be taken:	See Section 5 of this document
Related documents:	AC/19/4; AC/17/6.2

1. **Accommodation**

As indicated in document Section 7 of AC/19/4, in the light of the anticipated increase in staffing for LRIT and consequent need for additional office space, the Directorate has made enquiries regarding a possible expansion of premises at the present headquarters or a move to alternative premises with similar status in central London.

The Director has discussed with the Chief Executive Office of Inmarsat the possible benefit for both parties for Inmarsat and IMSO to enter into a new sublease agreement which will allow for additional space to accommodate the extra headcount for LRIT activities. Inmarsat has proposed a lease term of five years with a two year notice provision. The cost of the additional space would not be incurred by IMSO until such time as IMSO requests it but Inmarsat would set aside the space for future use provided that occupation took place before a date which we would agree, for example mid-2009. The intention would be to enter into the new sublease during 2007.

The Directorate will continue negotiations to keep the question of accommodation under review, and will report to the Committee.

2. **Budget for 2007 and beyond**

2.1 Further to Section 9 of document AC/19/4, the Director has met with Inmarsat regarding the outstanding amount for 2007 as well as other financial issues. A summary of the discussions follows:

2.2 Inmarsat will agree to pay the full 2007 IMSO budget of £718,460. However, Inmarsat has specifically requested that the following areas should be agreed upon as a consequence:

- (a) an estimated indicative headline budget for 2008 and 2009 for the GMDSS services (excluding LRIT) would be produced as soon as practicable by the Directorate;
- (b) Inmarsat is willing to pay an indicative 2008 budget for GMDSS of £610,000 plus UK RPI (exclusive of LRIT); this amount excludes the costs for the regular Assembly Session, and any other one off costs which may need to be added; the Director indicated to Inmarsat that some elements of the budget not directly linked with the UK RPI may also affect this estimation but no agreement was reached as to how the costs would be dealt with;
- (c) if LRIT funding is received in 2008, the 2008 GMDSS budget could be reduced to an indicative budget of £470,000 (as noted by the Assembly/Advisory Committee);
- (d) if any LRIT costs in 2007 are not covered by donations received by IMSO and are paid for out of the GMDSS budget paid by Inmarsat, then such amounts should be credited/off-set against the 2008 costs for Inmarsat. Inmarsat agreed that such offset should occur at whatever stage LRIT funding is received, even if this was only in 2009 and that the reimbursement should cover the appropriate LRIT costs for the whole of the period;
- (e) until any new arrangements are made in connection with a new PSA with Inmarsat, the Director has agreed with Inmarsat a payment schedule to allow for 70% of the budget to be paid in the first half of the year and the balancing 30% to be paid in the second half. Payments will be made at the start of each quarter (January, April,

July and October), ensuring at all times that IMSO's cash flow is not compromised.

2.3 In the course of the above discussions, Inmarsat also:

- (a) indicated its view that, although there had been considerable discussion regarding the format of the new PSA, Inmarsat now feels that there would be benefit in a new PSA:
 - (i) providing for the GMDSS budget to be increased in line with UK RPI unless otherwise agreed (as is currently the case) and that this could be viewed positively by other potential GMDSS providers; and
 - (ii) continuing to include the provision in relation to the GMDSS budget for any unspent element to be returned to the GMDSS provider(s) as an offset against the next year's budget. Inmarsat feels this would also be attractive to other potential GMDSS providers;
- (b) expressed its position that the legal contingency fund of £100,000 plus interest should be repaid in full to Inmarsat upon the signing of a new PSA. Inmarsat intends to enter into an indemnity as provided for in Article 10 of the draft Reference Public Services Agreement as replacement protection to IMSO;
- (c) expressed the view, regarding future budget discussions, once LRIT funding is in place for IMSO, that Inmarsat would wish to be advised of the total overall budget for IMSO and the split between GMDSS and LRIT at the overall level but would only expect to receive details of the GMDSS budget, not the specifics of the LRIT budget. Inmarsat would expect to be advised of the percentage splits of shared costs as we have already discussed for items such as rent/salaries/etc.

2.4 For the balancing payment for 2007, Inmarsat will make a payment of £146,801 shortly with the balancing amount of £107,769 to be paid on 1 October 2007. In the interim, Inmarsat would like to receive confirmation that the Director is agreeable to the points raised above, or where he needs

to refer them to the Advisory Committee, that he will do so with a recommendation for their approval and adoption.

3 2007 LRIT Budget

3.1 At its Eighteenth Session (paragraph 3.3.7 of AC/18/Report refers), the Committee noted *“that the illustrative budget for 2007 including LRIT was a good basis on which to proceed and gave the Committee a good understanding of what to expect. The illustrative budget would be revised in the light of progress and events”*.

3.2 The Assembly noted this information at its Nineteenth (Extraordinary) Session.

3.3 The Committee is aware that the LRIT 2007 illustrative budget was based on various assumptions set out in paragraph 3.3.2 of AC/18/Report which including LRIT start up funding and LRIT activities commencing from 1 July 2007. It is clear that this is not the case. However, the Director needs to be in a position to proceed with LRIT activities and to identify possible sources for funding these activities. As indicated in paragraph 2.2(d) above, Inmarsat has requested that *“if any LRIT costs in 2007 are not covered by donations received by IMSO and are paid for out of the GMDSS budget paid by Inmarsat, then such amounts should be credited/off-set against the 2008 costs for Inmarsat. Inmarsat agreed that such offset should occur at whatever stage LRIT funding is received, even if this was only in 2009 and that the reimbursement should cover the appropriate LRIT costs for the whole of the period”*.

3.4 The Committee is therefore requested to **agree** the illustrative LRIT budget for 2007 of £314,108, as a maximum amount. For ease of reference, the illustrative budget for 2007, as noted by the Nineteenth (Extraordinary) Session of the Assembly, is attached.

4 Provisional Application of the Amendments to the 2007 Convention

The Director has been informed that the International Maritime Organization, as part of its Depositary function, is in the process of circulating a formal Notification that the 2006 amendments to the IMSO Convention are applied

provisionally, with effect from 7 March 2007, pending their formal entry into force.

5 **Actions Required**

The Committee:

- (a) notes that the Director will continue negotiations to keep the question of accommodation under review, and will report to the Committee;
- (b) notes the Director's agreement with the outcome of the discussions with Inmarsat regarding the budget for 2007 and beyond; in particular that:
 - (i) Inmarsat will agree to pay the full 2007 IMSO budget of £718,460; with a payment of £146,801 to be paid shortly and the balancing amount of £107,769 to be paid on 1 October 2007;
 - (ii) the Director will prepare an estimated indicative headline budget for 2008 and 2009 for the GMDSS services (excluding LRIT);
 - (iii) Inmarsat is willing to pay an indicative 2008 budget for GMDSS of £610,000 plus UK RPI (exclusive of LRIT); this amount excludes the costs for the regular Assembly Session, and any other one off costs which may need to be added; the Director indicated to Inmarsat that some elements of the budget not directly linked with the UK RPI may also affect this estimation but no agreement was reached as to how the costs would be dealt with;
 - (iv) if LRIT funding is received in 2008, the 2008 GMDSS budget could be reduced to an indicative budget of £470,000 (as noted by the Assembly/Advisory Committee);
 - (v) if any LRIT costs in 2007 are not covered by donations received by IMSO and are paid for out of the GMDSS budget paid by Inmarsat, then such amounts should be credited/off-set against the 2008 costs for Inmarsat. Inmarsat agreed that such offset

should occur at whatever stage LRIT funding is received, even if this was only in 2009 and that the reimbursement should cover the appropriate LRIT costs for the whole of the period;

- (vi) until any new arrangements are made in connection with a new PSA with Inmarsat, the Director has agreed with Inmarsat a payment schedule to allow for 70% of the budget to be paid in the first half of the year and the balancing 30% to be paid in the second half. Payments will be made at the start of each quarter (January, April, July and October), ensuring at all times that IMSO's cash flow is not compromised.
 - (vii) once LRIT funding is in place for IMSO, Inmarsat would wish to be advised of the total overall budget for IMSO and the split between GMDSS and LRIT at the overall level but would only expect to receive details of the GMDSS budget, not the specifics of the LRIT budget. Inmarsat would expect to be advised of the percentage splits of shared costs as we have already discussed for items such as rent/salaries/etc.;
 - (c) notes the views expressed by Inmarsat (paragraph 2.3) relating to a new PSA, specifically in the areas of annual increases, refund of unexpended funds and the legal contingency fund;
 - (d) agrees the illustrative LRIT budget for 2007 of £314,108, as a maximum amount; and
 - (e) notes that IMO, as Depositary, is in the process of circulating a formal Notification that the 2006 amendments to the IMSO Convention are applied provisionally, with effect from 7 March 2007, pending their formal entry into force.
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ANNEX

LRIT BUDGET FOR THE YEAR ENDING 31 DECEMBER 2007

	(1)	(2)	(3)	(4)
		BUDGET		
	2007 AGREED	2007 ILLUSTRATIVE – LRIT TOTAL	EXISTING	LRIT
Gross salary	217,776	240,273	142,764	97,509
Post adjustments	35,310	45,198	17,655	27,543
Total salary & emoluments	253,086	285,471	160,419	125,052
Parity adjustment	0	16,725	11,708	5,018
Non residents allowance	3,385	3,385	3,385	0
Rental allowance	20,071	24,820	11,591	13,228
Dependant allowance	2,115	2,330	1,058	1,273
Education allowance	29,142	33,714	14,571	19,143
Total allowances	54,713	80,973	42,313	38,660
Pension	56,071	62,464	35,605	26,859
Medical	20,805	23,193	14,371	8,822
Life assurance	6,955	6,063	3,279	2,784
Disability	5,359	5,692	2,927	2,765
Accident	597	597	368	230
National insurance	18,787	22,932	12,286	10,647
Language training	2,833	2,833	1,417	1,417
Total employer costs	111,408	123,776	70,251	53,524
<u>TOTAL SALARY COSTS</u>	<u>419207</u>	<u>490220</u>	<u>272,983</u>	<u>217,236</u>
Travel	42,600	47,600	34,450	13,150
Hospitality	3,000	3,000	2,250	750
Parking	2,000	2,000	1,500	500
Congestion charge	2,400	2,400	1,800	600
Total travel and hospitality costs	50,000	55,000	40,000	15,000
Office rent	25,561	27,159	19,810	7,349
Office service charge	19,600	21,198	15,190	6,008
Office insurance	1,479	1,571	1,146	425
Total office premises costs	46,640	49,928	36,146	13,782

Accounting support	15,000	18,137	13,603	4,534
Payroll support	0	1,398	974	425
Audit fees	4,000	5,000	3,750	1,250
Pension provider fees	6,000	6,000	4,500	1,500
Printing and copying	5,000	5,000	3,750	1,250
Stationery	5,000	5,000	3,750	1,250
Postage	6,500	6,500	4,875	1,625
Telephones & fax	2,250	2,300	1,713	588
IT service charge	10,000	13,500	9,250	4,250
Web site & logo	6,000	6,000	4,500	1,500
Bank charges	700	700	525	175
Total administrative costs	60,450	69,536	51,189	18,346
Assembly	38,600	38,600	38,600	0
Advisory Committee	20,000	30,000	20,000	10,000
LRIT Coordination meetings		0	0	0
Translations	5,000	5,000	5,000	0
Interpretation	6,400	6,400	6,400	0
Total meeting costs	70,000	80,000	70,000	10,000
TOTAL OPERATIONAL EXPENDITURE	646,297	744,682	470,318	274,364
CONTINGENCY AT 1%	6,463	7,447	4,703	2,744
TOTAL OPERATIONAL BUDGET	652,760	752,129	475,021	277,108
Removal	15,000	25,000	15,000	10,000
Assignment grant	35,000	55,000	35,000	20,000
Relocation	2,000	4,000	2,000	2,000
Home leave	0	0	0	0
Repatriation	13,700	13,700	13,700	0
Recruitment costs	0	5,000	0	5,000
Total one off costs	65,700	102,700	65,700	37,000
<u>TOTAL BUDGET</u>	718,460	854,829	540,721	314,108