



COUNCIL - 89th session

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SUMMARY RECORD OF THE THIRD MEETING

**held at IMO Headquarters, 4 Albert Embankment, London SE1 7SR
on Tuesday, 26 November 2002, at 11.30 a.m.**

Chairman: Mr. CHEN TZE PENN (Singapore)
Vice-Chairman: Mr. J. FRANSON (Sweden)
Secretary-General: Mr. W.A. O'NEIL

A list of participants is given in document C 89/INF.1.

N.B. Corrections to the summary record should be submitted in writing, preferably on a copy of the summary record, to the Conference Division, IMO Secretariat, 4 Albert Embankment, London SE1 7SR not later than 23 May 2003.

Corrections to all summary records of the session will be issued in a consolidated corrigendum.

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AGENDA ITEM 13 – PROPOSED IMO MODEL AUDIT SCHEME (continued) (C 89/13 and Add.1; C 89/13/1; C 89/13/2; C 88/13/2; C 88/13/3; C 88/13/4)

Mr. ESCOBAR (Argentina) suggested that the Council should suspend discussion of the proposed IMO Model Audit Scheme. He supported the establishment of a joint MSC/MEPC/TCC Working Group of technical experts, which could consider the proposal in detail and produce a draft which would provide the Council with a basis upon which to reach a decision.

Mr. FINLEY (Panama) supported the important points raised in Belize's proposal (document C 89/13/1) regarding the ability of recognized organizations to perform the duties entrusted to them. He endorsed the development of a system to ensure a common level of expertise within such organizations.

At the Council's eighty-eighth session, Panama had expressed full support for the proposed Model Audit Scheme. However, he was concerned at the apparent reluctance to place the issue under the competence of the very sub-committee charged with dealing with such issues, namely the Flag State Implementation Sub-Committee, referred to in paragraph 11 of document C 89/13/3. He noted that that document referred to "the IMO Audit Scheme", instead of "an IMO Model Audit Scheme", which would reflect the fact that the scheme did not yet exist.

Regarding the reference made in the Secretary-General's report (document C 89/13/Add.1) to the ICAO universal safety oversight programme, he asked if consideration had been given to what would become of port State control should the proposed Model Audit Scheme be based on the ICAO system, which had been developed for that particular industry and did not have the equivalent of port State control.

Finally, he agreed with the United Kingdom as to the importance of the timing of such an initiative, and suggested that the Council recommend a time frame. For example, should the FSI Sub-Committee be appointed to deal with the matter, it could be asked to report back to the Council after holding three sessions, say in June 2005.

Mr. EL-WALI (Lebanon) supported that view.

Mr. MOUZOUROPOULOS (observer, Belize) agreed with Brazil that the Council should establish clearly-defined objectives for the proposed IMO Model Audit Scheme to give to the joint Working Group. However, those objectives should not include assessing the performance of all the functions carried out by flag States, which would mean IMO embarking on a very costly and lengthy process, including, for example, the translation of national laws. Belize's proposal envisaged the mandatory submission of self-assessment reports within a fixed time frame, to enable auditors to study the contents of such reports prior to conducting an audit. He emphasized his continuing reservations about a voluntary audit scheme, which would do little to eliminate substandard shipping, but would instead merely confirm the merits of the volunteering States.

Belize wished to disassociate itself from any suggestion that there should be total confidentiality in respect of an audit. It believed that, once an important deficiency had been identified as a result of an IMO audit, the flag State concerned should be given a reasonable and mutually agreed time frame within which to rectify such a deficiency. Failure to do so within the time frame should lead to the public identification of that flag State and the particular deficiency.

Ms MOETZEL (Germany) endorsed the decision taken at the eighty-eighth session to request the MSC/MEPC/TCC to set up a joint Working Group, which would report on progress at the Council's next session. Bearing in mind the valid points raised during the discussion, she asked that all the documents submitted to Council on the IMO Model Audit Scheme be referred to the Working Group for consideration and inclusion in its report.

The CHAIRMAN, following an exchange of views in which Mr. CHRYSOSTOMOU (Cyprus) and Mr. PEREIRA (Brazil) participated, invited the Council to reiterate the decisions it had made at its last session, with necessary adjustments to reflect developments since then and the decisions made during the current session.

He invited the Council therefore to request that the MSC, at its seventy-sixth session in December 2002, give the issue preliminary consideration, including consideration of the Secretary-General's proposals in document C 89/13/Add.1, if that was possible without seriously disrupting its work schedule; that the MSC, at its seventy-sixth session, also consider the desirability of establishing a joint MSC/MEPC/TCC Working Group to meet during MSC 77 in May/June 2003, to consider the matter further, with terms of reference as approved by the Council in document C 89/WP.1/Rev.1; that the MSC, at its seventy-seventh session, consider how the details of an IMO Model Audit Scheme could be developed and advise the Council, at its ninetieth session, on those safety- and security-related areas that the Committee may consider should be covered by the Scheme; that, furthermore, the MSC, at its seventy-seventh session, submit a progress report (based on the outcome of the work of the Joint MSC/MEPC/TCC Working Group, which should be instructed to take into account the proposals in all the documents thus far submitted, including the Secretary-General's proposals in document C 89/13/Add.1, and any other submissions received by the deadline for the submission of documents to MSC 77) to the ninetieth session of the Council in June 2003, for its consideration, and to convey any instructions and/or requests on the issue to MEPC 49; and that TC 53, in June 2003, and MEPC 49, in July 2003, consider the matter further, each from its own perspective, and prepare a report elaborating on the instructions and/or requests of the Council, at its ninetieth session, for submission to the twenty-second extraordinary session of the Council in November 2003, for its decision on appropriate action to move the issue forward.

It was so decided.

Mr. CHARALAMBOUS (Cyprus) asked what decisions had been taken with respect to the action requested of the Council in paragraph 21 of document C 89/13/Add.1, and what guidance the Council was giving to the MSC.

The CHAIRMAN responded that, at that stage, the Council had not made any decisions on that document, other than referring it to MSC.

Mr. FINLEY (Panama) said that decisions were being taken with little time for reflection after a rapid summing up. He requested the Chairman to ask the representative of the United Kingdom, as Chairman of MSC, to explain why the proposed IMO Model Audit Scheme had not been placed under the competence of a sub-committee with the appropriate expertise, such as the FSI.

Mr. ALLAN (United Kingdom), speaking as Chairman of the Maritime Safety Committee, said that he was not in a position to respond to that request. He would, however,

take forward the actions proposed by the Council, and would chair the Working Group of Committee Chairmen given responsibility for providing terms of reference. He assured Panama that MSC, along with MEPC and TCC, would look at the issue seriously, give it the importance it deserved, and report back to Council. It would then be for Council, at its extraordinary session in November 2003, to make any decisions it deemed necessary.

Mr. CHRYSOSTOMOU (Cyprus) reiterated the point he had made the previous day regarding the conclusions of the Quality Shipping Conference annexed to document C 89/13/2. That conference had represented the industry rather than administrations. He did not think the document should have been referred to MSC and MEPC: it should merely have been noted by the Council for information.

The CHAIRMAN said that the remarks made by Cyprus would be included in the summary record for referral to the Working Group.

Mr. PACHA (Spain), in the light of the reports given at the previous day's meeting on the **Prestige** incident, expressed his regret that more rapid progress had not been made on the proposed IMO Model Audit Scheme and that no clear framework or objectives had been defined for it. He hoped that the new Joint Working Group would make more rapid progress, so that it could quickly move beyond a preliminary decision.

The CHAIRMAN responded that Council was proceeding in accordance with the time frame agreed at its eighty-eighth session in June 2002, which Spain had supported.

AGENDA ITEM 8 – REPORT ON THE TWENTY-FOURTH CONSULTATIVE MEETING OF CONTRACTING PARTIES TO THE LONDON CONVENTION 1972, INCLUDING THE REPORT OF THE IMO/LC WORKING GROUP (C 89/8 and Add.1; C 89/8/1, C 89/8/2; LC 24/17; IMO/LC-WG 1/6; IMO/LC-WG 2/7)

The CHAIRMAN informed the Council that an additional document had been received since the list of documents had been issued, namely a joint submission by Brazil, China and Cyprus (C 89/8/2).

The SECRETARY-GENERAL said document C 89/8/1 outlined the outcome of the joint IMO/LC Working Group, established by the Council and the Consultative Meeting of LC Contracting Parties in November 2001 to carry out a comprehensive study on various aspects of the London Convention and its 1996 Protocol in comparison with a selection of IMO instruments. The Working Group had discussed the advantages and disadvantages of their integration in IMO, as well as the working methods and procedures of the Consultative Meeting. The full terms of reference were described on page 5 of the annex to document C 89/8/1.

At its twenty-first extraordinary session, the Council had requested the Working Group to report back to the eighty-ninth session on other relevant issues. The Council had nominated Brazil, China, Cyprus and India as the IMO Members and the Consultative Meeting had nominated France, the Netherlands, the United Kingdom and the United States as the LC members of the Group.

The Group had completed its task in two sessions held on 13 December 2001 and 17 June 2002, and its overall conclusions and recommendations had been reproduced in C 89/8/1. Its final report, with supporting material, had been distributed as IMO/LC-WG 2/7, in English only. The Group's first recommendation was that in view of the benefits to both organizations, in terms of efficiency and cost effectiveness, the current organizational arrangements for providing secretariat services to the London Convention should be maintained and continued. The second was that in the light of the forthcoming discussions of the long-term strategy for the London Convention it was premature to make any recommendations on the integration or further incorporation of the London Convention Technical Co-operation and Assistance Programme into the IMO Integrated Technical Co-operation Programme. Instead, the Group invited the Technical Co-operation Division and the Office for the London Convention to develop proposals for closer linkages between the two programmes, as outlined in the annex to the document. Thirdly, the Group recommended that the Consultative Meeting review its own work procedures with the Guidelines on the organization and method of work of MSC and MEPC; that, in the light of that comparison, the Meeting adapt its method of work in order to meet the specific needs of the London Convention, the aim being to achieve levels of efficiency and cost-effectiveness comparable to those of MSC and MEPC; and that the Consultative Meeting report to the Council on the progress made in implementing the recommendations. Lastly, the Group suggested that the Consultative Meeting should advise IMO of the services it expected from the Office for the London Convention and its 1996 Protocol, including the delivery of the LC Technical Co-operation and Assistance Programme.

Introducing document C 89/8/Add.1, he said that the Twenty-Fourth Consultative Meeting of Contracting Parties to the London Convention, 1972 had been convened from 11 to 15 November 2002 at IMO Headquarters. The Meeting had considered the results of work achieved intersessionally by its Scientific Group and had revised its first long-term programme as well as the long-term strategy for Technical Co-operation and Assistance under the London Convention. The Meeting had noted that the 1996 Protocol might enter into force either in 2004 or 2005. The Meeting had endorsed all three of the Group's recommendations. With regard to the efficiency of LC meetings, it had noted that a substantial part of the comparison of methods of work between MEPC and the Consultative Meeting had already been completed, and that the only differences related to submission of documents, agenda management and granting of observer status. It had instructed the Secretariat, subject to the Council's endorsement, to implement recommendations 2 and 3 and to report on results to the twenty-fifth Consultative Meeting. On the suggestion of the Working Group that the Meeting consider advising IMO of the services expected of the Office for the London Convention and the level of service required for the 1996 Protocol, including delivery of the LC Technical Co-operation and Assistance Programme, the Meeting had agreed to recommend the list of core services outlined in paragraph 4.7 of the document. Finally, the Meeting had concluded that, in order to fulfil the responsibilities of the Secretariat, support for at least one-and-a-half years at Professional level would be required. It had also concluded that for the next biennium (2004-2005), one meeting-week each for the Scientific Group and the Consultative Meeting would be required annually.

Mr. CHARALAMBOUS (Cyprus) introduced document C 89/8/2 on behalf of Brazil, China and Cyprus, who were all Members of IMO and Contracting Parties to the London Convention and had represented IMO on the Joint IMO/LC Working Group. The guiding principles followed by the IMO representatives had been the achievement by the Consultative Meeting of the most efficient use of the resources allocated in the budget for the needs of the

London Convention; the establishment by the Consultative Meeting of the necessary tools to manage its work efficiently; and the identification of the Meeting's expectations, at least in the short term, of IMO. Although the IMO representatives had put forward a considerable number of recommendations, the results achieved had been limited because of the consensus decision-making process.

The Twenty-Fourth Consultative Meeting had revised its long-term programme to include the salient elements of the World Summit on Sustainable Development (WSSD). The majority of those elements were ongoing tasks without a definite timetable. The LC management of the programme would need work and agenda management tools similar to those used by the committees of IMO. Paragraphs 5 to 8 of the document reported on the discussions regarding the future objectives of the London Convention: some of the Contracting Parties had expressed the view that the LC should distance itself from IMO and promote a global action plan, but after the discussions reported in document LC 24/14 enthusiasm for those ideas had receded. The Meeting's conclusions with regard to the LC Technical Co-operation and Assistance Programme were reported in paragraph 12. The IMO representatives had recommended the integration of that programme into IMO's ITCP, but it had been pointed out that the LC was currently at a stage where its former long-term strategy for technical co-operation and assistance had been rejected and a new strategy had not yet been completed, and that, in addition, funding for the programme was provided on an *ad hoc* basis. There were therefore some difficulties with regard to integration in the near future, and furthermore some LC members were not in favour of the idea. With regard to the 1996 Protocol to the LC, he recalled that the Council had recommended, and the Assembly had approved, provision by IMO of the required secretariat services. Corresponding resources would therefore have to be allocated in the budget for 2004-2005.

As reported in paragraph 15, a number of Contracting Parties had repeatedly expressed dissatisfaction at the level of support provided by IMO to the Office of the London Convention, and IMO representatives had therefore encouraged LC representatives to indicate their requirements. The Consultative Meeting had defined the core services the Contracting Parties expected from IMO, services that would require at least one-and-a-half professional years work force per year. Both for 2003 and for the period 2004-2005, one meeting-week per year each should be allocated for the Consultative Meeting and for the Scientific Group.

Some progress had been made by the Working Group, although it was evident that much work remained to be done and that there would be a need for monitoring. The Contracting Parties should be encouraged to appreciate the benefits which would be derived from the integration of the LC TC & AP with the IMO ITCP.

Mr. GASC (France) endorsed the action requested of the Council in the document submitted by Brazil, China and Cyprus.

Mr. ALLARD (Panama) said that Panama had participated in the last meeting of the IMO/LC Working Group as an observer. It too endorsed the recommendations made in the document.

He expressed concern about the complaints made by the Contracting Parties to the LC about the level of aid provided by IMO: in his view, those complaints were unfair, particularly in view of the fact that the financial support IMO had given hitherto amounted to more than \$400,000. The report of the Director of the Marine Environment Division on the proposed

integration of TC and AP with ITCP clearly indicated that there would be advantages for both organizations in such an arrangement. He suggested that the matter should continue to be examined carefully.

Ms MOETZEL (Germany) welcomed the recommendations made by the Working Group. She urged that staffing for the LC office should be increased and should remain at a high level, so that the matter would not need to be raised again at future meetings of the LC and the IMO Assembly.

Mr. GALEA (Malta) joined in endorsing the conclusions set out in the document.

He expressed support for the activities of the LC, which should be extended to cover all sources of dumping into the marine environment. However, 90% of the material dumped came from land-based sources: that problem needed to be addressed as soon as possible and if the LC was serious about tackling it, it should adopt a different approach. In his view, the United Nations Environment Programme (UNEP) was the organization best fitted to provide a comprehensive solution to the problem of dumping, but in the meantime he would continue to support the role of IMO.

Regarding the point raised by the representative of Germany, it should be borne in mind that the current arrangement was an *ad hoc* one which was not entirely satisfactory, especially in the longer term. He rejected the suggestion that there should be any increase in the resources provided by IMO under that arrangement.

Mr. NASTRUCCI (Italy) expressed support for document C 89/8/2, and in particular for the suggestion made in regard to recommendation 3 of the IMO/LC Working Group in paragraph 21. He shared the view expressed by the representative of Panama.

The CHAIRMAN said he took it that the Council had noted the information set out in documents C 89/8 and Add.1, C 89/8/1 and C 89/8/2.

In particular, he proposed that the Council endorse the three main recommendations of the IMO/LC Working Group; invite the Twenty-Fifth Consultative Meeting to take the necessary action to implement recommendations 2 and 3 on technical co-operation and methods of work, respectively; invite the Secretary-General to report to the Council in November 2003 on the progress achieved on those recommendations; note the list of core services expected from the Office for the London Convention, 1972 for the activities as reflected in document C 89/8/Add.1, paragraph 4.7; note that the Consultative Meeting considered that, in order to fulfil the responsibilities of the Secretariat, the support of at least one-and-a-half years at Professional level would be required; note that the Consultative Meeting considered that one meeting-week, with translation and interpretation services, and one-meeting week for the Scientific Group without translation and interpretation services, would be required annually for the biennium 2004-2005; and request the Secretary-General to make appropriate provision in the proposals for the Organization's budget for the period 2004-2005.

It was so decided.

AGENDA ITEM 9 – REPORT ON THE INTERNATIONAL CONFERENCE ON THE REVISION OF THE ATHENS CONVENTION RELATING TO THE CARRIAGE OF PASSENGERS AND THEIR LUGGAGE BY SEA, 1974 (C 89/9 and Add.1; LEG/CONF.13/20, LEG/CONF.13/21 and LEG/CONF.13/22)

The SECRETARY-GENERAL said that C 89/9 informed the Council that the report on the outcome of the International Conference on the Revision of the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974, would be submitted after the conclusion of the Conference. Document C 89/9/Add.1 summarised the outcome of the Conference, which had been convened by decision of the Assembly upon the recommendation of the Council and had been held at IMO Headquarters from 21 October to 1 November 2002.

The Conference had adopted the Protocol of 2002 to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974. The main objective of that Protocol was to provide compensation in adequate measure for loss of human life and physical injury for all passengers travelling by sea. The compensation available under the 1974 Athens Convention had been substantially enhanced under that Protocol. Moreover, to the benefit of passengers, the notion of strict liability of the carrier had been introduced into the Convention, as well as that of compulsory insurance and a simplified procedure for updating the limitation amounts. As with all IMO conventions, the aim of the new treaty was to create an internationally accepted regime, so that the shipping industry did not become subject to a variety of individual national schemes.

The Protocol would be open for signature at the Headquarters of the Organization from 1 May 2003 until 30 April 2004, and would thereafter remain open for accession. It would enter into force 12 months following the date on which ten States had expressed their consent to be bound by it.

The Conference had adopted three resolutions, the first on regional economic integration organizations, the second on certificates of insurance or other financial security and ships flying the flag of a State under the terms of a bareboat charter registration, and a third on a framework of good practice with respect to carriers' liabilities. While the precise terms varied from resolution to resolution, each of them requested the Organization to carry out a study of the subject area and, if considered necessary, to develop appropriate legal provisions or guidelines.

Under the Final Act and the Protocol he was required to perform certain functions, including the preparation of the authentic, consolidated text in Arabic, Chinese, English, French, Russian and Spanish of the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 2002. He was also required to transmit certified copies of the text of the Protocol and of the consolidated Convention to the Governments of the States invited to be represented at the Conference. Document C 89/9/Add.1 invited the Council to authorize the performance of those functions.

Mr. PEREIRA (Brazil) suggested that the Council might refer the three recommendations requiring further studies to the Legal Committee for follow-up.

The CHAIRMAN invited the Council to take note of the information contained in document C 89/9/Add.1; to authorize the Secretary-General to perform the depositary functions and other functions required under the Final Act of the International Conference and under the

Protocol of 2002 to the Athens Convention relating to the Carriage of Passengers and their Luggage by Sea, 1974, as set out in documents LEG/CONF.13/21 and LEG/CONF.13/20, respectively; to take note of the action requested of the Organization in each of the three Conference resolutions as set forth in document LEG/CONF.13/22; and to approve the suggestion made by the representative of Brazil that those matters requiring further studies be referred to the Legal Committee for follow-up.

It was so decided.

AGENDA ITEM 10 - CONSIDERATION OF THE REINSTATEMENT OF SUMMARY RECORDS FOR DIPLOMATIC CONFERENCES (C 89/10)

The SECRETARY-GENERAL said that document C 89/10 noted that since June 1985 there had been no summary records for diplomatic conferences, and that the main reason for their discontinuation had been budgetary constraints. The issue before the Council was whether summary records should be reinstated for diplomatic conferences, since there would be financial implications and no budgetary provision was made for them at present. Past practice with regard to the Council and Assembly indicated that the cost of producing summary records in the three working languages of the Organization would be in the region of £16,000 for a five-day meeting or £32,000 for a 10-day meeting. The records were distributed to Member States and other participants and could be of use to Administrations, policy-makers, researchers and students.

Mr. CHARALAMBOUS (Cyprus) spoke in support of the reinstatement of summary records for diplomatic conferences, and suggested that the Secretary-General should make appropriate provision for them in the 2004-2005 budget, which would cover the Ballast Water Management Conference. The Third Tier Fund Conference to be held in 2004 would be funded by the International Oil Pollution Compensation Fund (IOPC Fund) and the decision would therefore lie with that Fund.

Mr. EUN LEE (Republic of Korea) said that representatives from a number of countries used the summary records to gain a clear, concise and accurate picture of the proceedings when conventions were being discussed. He therefore supported the reinstatement of summary records for diplomatic conferences, and suggested that the Secretary-General should review possible sources of funding.

Mr. ALLAN (United Kingdom) said he was not in favour of the reinstatement of summary records for diplomatic conferences, since unless it was possible to make an increase in the budget specifically for that purpose, other activities would suffer.

Mr. SRIVASTAVA (India) said that summary records contained a wide range of views which might not be reflected in other conference papers. They provided a valuable source of information on different issues, such as the reasons why a convention might have failed to enter into force. The value of summary records outweighed their cost.

Mr. ASUQUE (Philippines), referring to paragraph 4 of document C 89/10, said that summary records were an important and authoritative source of evidence, which might be useful in the procedure for ratifying conventions. He therefore fully supported the reinstatement of summary records for diplomatic conferences, to be funded either by an increase in the budget or from sources such as the Printing Fund.

Mr. YUDIN (Russian Federation) pointed out that no one had noticed the lack of summary records at diplomatic conferences over the past 20 years: in his opinion the funding would be put to better use in the timely provision of documents and reports for sessions of the main and subsidiary bodies of the Organization. Some of the documents for the current session had only become available upon arrival. He could only agree to the reinstatement of summary records for diplomatic conferences if the Secretary-General could find the necessary resources through savings under other headings for conference expenditure, without increasing the overall budget.

Mr. SIVERTSEN (Norway) did not support the reinstatement of summary records because it would be too costly and might result in a limiting of the number of diplomatic conferences held. The records of decisions of committees, combined with the conference papers and the actual text of the instruments, were sufficient.

Mr. GALEA (Malta) endorsed the views expressed by the representatives of India and the Philippines. He supported the suggestion that alternative means of financing could be explored.

Mr. ALLARD (Panama) said that although there were some advantages in having summary records for diplomatic conferences they were an additional expense and were not essential. If necessary, the tapes could be used for reference.

Mr. McDONALD (Canada), Mr. KORAN (United Nations), Mr. FRANSON (Sweden), Mr. HORIKE (Japan), Ms. MOETZEL (Germany), Mr. SOEHARTO (Indonesia), Mr. RASMUSSEN (Denmark), Mr. HAKGÜDEN (Turkey), Mr. PACHA (Spain), Ms SEET-CHENG (Singapore) and Mr. TAYLOR (observer, Liberia) shared that view.

Mr. TSANTZALOS (Greece) said he favoured the reinstatement of summary records provided that the cost was covered by the Organization's budget.

Mr. CHARALAMBOUS (Cyprus) pointed out that the majority of the conventions which had been adopted in the 1990s, for which summary records had not been provided, had not entered into force. With reference to the use of tapes, he noted that only floor tapes were available, which ought not to be sent outside the Organization for transcription, as had happened in the past. In his opinion, the cost of summary records would represent a small part of a £20 million budget. He asked what would happen if records might be requested for a conference which was being organized outside IMO.

The CHAIRMAN said that the rules governing that matter would be clearly stated in the rules of procedure of the conference concerned.

He took it that the Council was not in favour of the reinstatement of summary records for diplomatic conferences convened and funded by the Organization, in view of the budgetary implications.

It was so decided.

AGENDA ITEM 11 – ORGANIZATIONAL REVIEW (C 89/11, Add.1 and Add.2; C 89/11/1)

The SECRETARY-GENERAL said that the Organization was beginning to make real and visible progress with the Change Management Programme which he had launched following the organizational review of the Secretariat by MANNET and the subsequent positive guidance from the intersessional working group chaired by Mr. Banks of Australia. Reporting progress on four priority projects, he said that a new internal framework for improving the implementation of technical co-operation had been established, providing clear lines of accountability and responsibility between the Technical Co-operation Division and other technical divisions. The changed arrangements provided a practical approach to the Council's mandate to improve the management of the TC programmes by consolidating management activities into one division under the responsibility of one line manager, and would provide an enhanced delivery of the TC Programme.

A first round of workshops on leadership, change management and personal effectiveness for all senior managers, Heads of Section and middle managers had been conducted, and it was intended to extend that beneficial initiative to every staff member. By the end of 2002 about half of the IMO staff would have been covered. The aim was to strengthen management competencies and to promote a climate in which all staff recognized that they had a contribution to make. Following consultation with staff and the Senior Management Committee, the traditional personnel management function was being transformed into a more integrated human resource management function, which was more supportive of management and would assist in identifying staff training and development needs. That reform was a key element in wider plans for decentralising responsibility and accountability to line managers for the day-to-day running of their operational activities and for the delivery of their programmes.

Two important reforms of the Organization's accounting, financial and budgetary control systems had been initiated. In respect of the budgeting process itself, a biennial budgeting system for 2004-2005 had been launched, designed to secure the full involvement of senior management and programme managers in the decision-making process prior to the submission of his proposals for 2004-2005 in March 2003. The establishment of a distinct Management Accounting Section to support that change had been completed and the new Head would be appointed in early January 2003.

The decision-making process concerning the replacement of the Organization's so-called "legacy" accounting and financial budgeting systems had been advanced. The Council would recall that it had agreed in principle that the Organization should proceed with the identification of a possible replacement system and that the consultants, Deloitte & Touche, had advised that an ERP system offered the most benefits. The procedures followed since the eighty-eighth session of the Council to identify a possible ERP supplier had been designed with two objectives in view: to arrive at the best technical solution, and to arrive at the most cost-effective solution. The processes followed had been set out extensively in documents C 89/11/Add.1 and Add.2. The critical path which had dictated the timing of advice to the current session of the Council had been extremely tight, since international bidding, by its nature, was a lengthy process. It was necessary to ensure that the contractors were given adequate time to respond, and that the in-house period of review gave enough time for in-depth analysis of each of the proposals. For procurement of that kind, it was not enough to simply invite bids: contractors had to be tested on the proven ability of their software to handle each of the Organization's key applications so that

users could give a rating to each of the applications. That process entailed the development of what were called “scripted demonstrations”, in which some 45-50 users had been engaged. The Secretariat had drawn on the experience of Deloitte & Touche in the development of technical standards and benchmarks, and had followed sound industrial and governmental practice throughout the evaluation.

The evaluation of the procurement process had led senior management, on the basis of the consultants’ advice, to conclude that the Organization’s needs would be met best by a proprietary ERP system called SAP, which was supplied by an international e-commerce software house. The proposed contractor, Fast Track, had submitted the most cost-effective proposal, particularly in relation to how it would be implemented.

He wished to stress one general point: the ERP systems were based on the introduction of work processes which represented “best practice”, in other words, ERP systems did not attempt to provide software solutions which were based around existing work patterns or flows. It was recognized, as a result of the work process mapping exercises which had been carried out earlier in the year, that there was a strong case for change and for not falling into the trap of customising solutions to fit current practices. The ERP system had to be seen, therefore, as part and parcel of the Change Management Programme, and not simply as a replacement accounting or budgetary control system. The Council would also wish to bear in mind that any new system would have a relatively lengthy lead-in time. One of the important characteristics of a proprietary ERP system was that the applications had been tried and tested, so that the challenge would then be to adapt working practices to fit those systems. The further relevance of the SAP/Fast Track proposal was that it would be installed by autumn 2003. That was important, since it would enable the budget for the new biennium 2004-2005 to be constructed and operated on the new SAP system from the start of the new financial year beginning 1 January 2004, and for the final accounts for the financial year 2004 to be completed on that basis. However, that target could only be achieved if the contractor started work in January 2003.

With regard to cost, it was clear from the analysis provided in document C 89/11/Add.2 that the current application systems were not up to present-day needs and must be changed. Over the last two years substantial investment had been made through the Headquarters Capital Fund in developing and upgrading the core IT infrastructure and communication systems, to the point at which there could be some satisfaction in the level of delivery to the membership. The basic infrastructure and investment was now capable of running ERP applications. However, without investment in the ERP system, the Organization would have to commit expenditure to other developments or to the replacement of individual applications. That would result in a patchwork of systems and applications.

There were three main types of expenditure involved in ERP investments. The largest was the cost of the licence fees and implementation. The cost of the contract, which was quoted as between £1.2 million and £1.5 million, would be subject to negotiation. The figure of £1.5 million would be maximum, including contingency costs. Other costs would apply in any system of change; it would be necessary to achieve a transfer of expertise from the supplier to in-house staff, who would have to be dedicated to the implementation process. A budget of £252,000 sterling had therefore been included for the cost of backstopping staff, equivalent to some six to seven man years. The industry and government practice of including provision for independent quality assurance had been included. The assessor would provide periodic reports to the Secretary-General and the Council on specific benchmarks of deliverables, so that the Organization would be able to ensure that contract value was being delivered.

SAP offered the prospect of extending ERP into the area of human resource management. It was understood that SAP would be rolling out UN-specific modules governing payroll, allowances and other HR databases by 2004. IMO could allow a year or two for the HR package to settle down, and then consider the case for implementing it after that date.

He hoped that the Council would be able to agree to the investment in the SAP system as proposed, and with the quoted budget figure, to be financed from accumulated reserves. Whilst there were a number of competing challenges for investment in 2003, the planned ERP was an important and high priority item.

Mr. PEREIRA (Brazil) said his country had closely followed the discussions on the organizational review. Knowing that one of the main points raised had been the lack of a modern planning and budgeting system, supported by information technology that integrated finance and budget, Brazil had proposed to transfer to IMO an IT system which had been successfully tested in the Brazilian Navy at the cost of not more than \$400,000, and to develop a fully customized system at a cost of \$1 million. The consultancy firm Deloitte & Touche had, however, recommended the purchase of an ERP system as the only practical solution for the Organization.

As a Member of the Council, Brazil had a responsibility to ensure that the most profitable use was being made of the Organization's budget, and it could not therefore support the proposals contained in document C 89/11/Add.2. His country's technical comments on those proposals, set out in document C 89/11/Add.1, covered three aspects. First, Brazil disagreed with the consultants that an ERP system was appropriate for IMO, since such systems had been developed to suit large industrial and commercial enterprises. Moreover, they were difficult to implement and were prone to cost overruns, disadvantages that several companies had documented in independent reports. They also lacked the basic instruments for planning and programming activities of a government institution such as IMO. Secondly, annex 1 to document C 89/11/Add.2 did not justify the view that ERP was the best solution for IMO, and presented a biased analysis of the benefits deriving from its implementation. Thirdly, annex 2 to the document demonstrated that little effort had been made to understand the system proposed by Brazil and that, in essence, it had been discarded because it was not an ERP system. It was, moreover, inaccurately stated in that annex that Brazil's system would require development from scratch. The system offered by Brazil would incur only the cost of the required adaptation work, and since it was customized, would, unlike an ERP system, be adequate for the requirements of a small governmental organization like IMO. Because little time had been allowed for analysing either the Secretary-General's proposal or his country's comments, he proposed that the Council should either reject the proposal or postpone a decision until its ninetieth session.

Mr. CHARALAMBOUS (Cyprus) suggested that since the organizational review involved two separate subjects, organizational reform and reform of the finance and budgeting systems, the two subjects should be discussed separately.

The CHAIRMAN proposed that discussion should begin with the aspects of the Change Management Programme that did not relate to the ERP system.

Mr. CHRYSOSTOMOU (Cyprus) said his delegation appreciated and supported the action taken by the Secretary-General in implementing the Change Management Programme. He regretted, however, that, in describing the changes made in the areas of technical co-operation, leadership and management and human resources, document C 89/11/Add.1 had not indicated

what benefits might be derived from those changes, such as increased productivity, reduced costs, or a more integrated Secretariat. Referring to paragraphs 20 and 21 of the document, he said that, while he commended the choice of elements for the development of human resources strategy, particularly performance management and appraisal and staff training and development, he would stress the importance of including succession planning, which boosted staff morale and created a sense of continuity.

Mr. ALLAN (United Kingdom) welcomed the update on the various elements of the Change Management Programme and thanked the Secretary-General and the Secretariat for their efforts. He sought clarification as to how the benefits of implementing the changes would be measured. Was any evaluation planned, and, if so, who would undertake it?

Mr. GASC (France), referring to the fact that the changes under the Change Management Programme had not led to an increase in the number of staff employed in the various divisions of the Secretariat, asked what mechanisms were to be put in place to ensure an improved synergy between the Technical Co-operation Division and the other technical divisions, and whether those mechanisms would improve the implementation of technical co-operation.

Mr. ALLARD (Panama) disagreed with previous speakers that the subject of organizational reform was not related to the subject of reform of the finance and budgeting systems, since the holistic approach to change that had been adopted in the Change Management Programme, involving all aspects of the Organization, would naturally require a decision on the implementation of an ERP system.

Mrs. SEET-CHENG (Singapore) supported the views expressed by the representatives of Cyprus and the United Kingdom: the report would have had more value if it had indicated the benefits that would accrue from the change management processes described. In view of her delegation's long-standing concern over the low delivery rate of technical co-operation programmes, she was gratified to note that the Change Management Programme emphasized process-mapping with the aim of improving work procedures and strengthening technical co-operation delivery processes. However, an indication of the likely benefits of process-mapping, such as target indicators, giving, for example, projected increases in delivery rates and improved times to delivery, would have been valuable.

The SECRETARY-GENERAL, replying to questions raised, said that the organizational review had required a holistic approach. In order to achieve the objective of implementing most of the components of the Change Management Programme by the end of 2003, certain elements that involved fundamental issues had had to be prioritized. One such issue was the inadequacy of the Organization's financial system, which, if left unchanged, would impede the process of delegating responsibility for budgets directly to the Directors of the various Divisions, because managers would not have the financial information that would allow them to control their budgets properly. That inadequacy had led the Secretariat to examine the financial arrangements closely and to consider implementing an ERP system, which demonstrated the interconnectedness of the Programme's components. The delegation of budgetary responsibility had also led to the recognition that management training was an essential element. The Leadership and Management Programme, launched by the workshop for senior management in July, which represented the first ever management training exercise in the whole of the Organization's 40 years' existence, would be extended to cover 50% of the staff by the end of 2002.

Succession planning, recognized as an important aspect of human resources management, would be addressed once the performance management appraisal systems were functioning properly. The measurement of benefits with regard to technical co-operation activities would be done in stages. It was hoped that the serious problem of the low delivery of technical co-operation programmes, despite the existence of funding for them, would be resolved by the changed management structure in which the Technical Co-operation Division was directly responsible for managing the programmes, and in which a mechanism had been built to review how the delivery structure was working so that adjustments could be made in the project delivery process as it went along. Since delivery rates were already improving, despite the newness of the system, it would soon be possible to provide target indicators of those rates, which were expected to show a marked improvement during 2003. The area of technical co-operation would provide the first opportunity of assessing the effectiveness of the rearranged management structure.

The CHAIRMAN invited the Council to comment on the proposals concerning an Enterprise Resource Planning system.

Mr. DAVIDSON (Australia), while commending the progress made in the Change Management Programme, shared the concerns expressed by the representative of Brazil over the proposed implementation of an ERP system. The SAP system was highly resource-intensive and training-intensive, and many organizations had experienced difficulties in implementing it. While he congratulated the Secretariat on its courage in being prepared to take such a giant step forward, he considered that the Council had not been provided with sufficient evidence of the superiority of an ERP system to justify a decision to introduce it. He was concerned that such a system would result in expensive cost overruns, and that the Secretariat might not be sufficiently mature organizationally to merit it. The Council needed to be assured that sufficient resources and commitment would be devoted to the implementation of such a system to ensure its success.

The SECRETARY-GENERAL said that the Secretariat was aware of the difficulties experienced by some organizations in introducing ERP systems to which the representative of Brazil had referred, and had carefully investigated the reasons for some of the failures to implement them. The system had been installed in a number of United Nations organizations, with varying degrees of success. The Secretariat was also concerned about cost overruns, but intended, on the advice of the consultants, to establish a project team in which representatives from each Division would participate, which would be responsible for implementing the new system and would function separately from the ongoing part of the Organization. The implementation process would require much time and skill. However, a decision on the issue was needed in order to make progress and to meet the target date of end-2002 for implementing the bulk of the planned reforms.

Mr. CHARALAMBOUS (Cyprus) said that a comparison between the proposed ERP system and the specific system offered by Brazil needed to be carried out so that the Council had adequate information on which to base a reasoned decision on the matter. The information contained in paragraph 4 of annex 2 to document C 89/11/Add.2 was based on a comparison between custom-built systems generally and ERP systems, not between an ERP system and the specific system offered by Brazil. As the representative of Australia had indicated, the points raised by Brazil should be adequately addressed to ensure that the Organization's interests were protected. While his delegation accepted in principle that the Organization should be provided with an ERP system, which should include a human resources management module, it did not agree that it should be financed from accumulated reserves, which might in the future be required for other purposes, but from supplementary appropriations.

Mr. HAZARI (India) said that in order to assist the Council in arriving at an appropriate conclusion, a further detailed study of the proposed implementation of an ERP system needed to be undertaken which would take into account the submission by Brazil in document C 89/11/1, which drew attention to the weaknesses of the ERP system being proposed, to the lack of certainty that such a system was the only possible solution to the Organization's needs, and to the levels of investment required for different solutions.

Mr. PEREIRA (Brazil), noting that an exercise had been undertaken to determine the appropriateness of the ERP system to the Organization's requirements, asked whether a similar exercise had been carried out in relation to other types of system with a view to comparing them and to ascertaining which system would best suit IMO's needs.

The meeting rose at 12.30 p.m.