



INTERNATIONAL  
OIL POLLUTION  
COMPENSATION  
FUNDS 1971 AND 1992

ASSEMBLY  
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Agenda item 25

92FUND/A.9/22  
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71FUND/AC.15/16

## SHARING OF JOINT ADMINISTRATIVE COSTS BETWEEN THE 1992 FUND AND THE 1971 FUND

### Note by the Director

<b>Summary:</b>	The costs of running the joint Secretariat have to be distributed between the 1992 Fund and 1971 Fund. It is proposed that for 2005 the 1971 Fund should pay a flat management fee of £325 000 to the 1992 Fund.
<b>Action to be taken:</b>	To consider the Director's proposal that the apportionment between the two Funds should be based on a management fee paid by the 1971 Fund to the 1992 Fund.

- 1 At their June 1996 sessions, the Assemblies agreed that the distribution of the costs of running the 1992 Fund and 1971 Fund's joint Secretariat should be decided yearly by the Assemblies of the two Funds (documents 92FUND/A.1/34, paragraph 11.1 and 71FUND/A/ES.2/22, paragraph 9). For the period 1996-2002 the governing bodies of the Organisations decided that the costs should be distributed on a percentage basis, the percentages varying over this period.
- 2 At their October 2003 sessions, the governing bodies approved a proposal by the Director that the distribution of the costs should be made in a different way, namely that the 1971 Fund should pay a flat management fee set approximately at 10% of the joint administrative expenses (documents 92FUND/A8/30, paragraph 24.1 and 71FUND/AC.12/22, paragraph 19.1). The fee was set at £325 000 for 2004.

- 3 The Director proposes that the same method of distribution of the administrative expenses between the two Organisations should be used for 2004, namely that the 1971 Fund should pay a management fee of £325 000 which corresponds to approximately 10% of the administrative expenses.
- 4 It will be recalled that at its 8th extraordinary session, held in May 2004, the 1992 Fund Assembly concluded that, when the Supplementary Fund was established, the most practical solution would be for the 1992 Fund Secretariat to administer also the Supplementary Fund. The Assembly also considered that an arrangement for sharing the cost of running a joint Secretariat similar to the present arrangement between the 1992 Fund and the 1971 Fund would be most appropriate for the Supplementary Fund, ie that the Supplementary Fund pays a management fee to the 1992 Fund, at least until the Supplementary Fund became involved in any incidents. The 1992 Fund Assembly took the view that the management fee to be paid by the Supplementary Fund should initially be set at £150 000 per annum, being approximately 5% of the administration expenses of the IOPC Funds' Secretariat for 2004 (document 92FUND/A/ES.8/4, paragraphs 3.4.4, 3.4.8 and 3.8.2). This issue will have to be considered by the governing bodies of the three Funds at their sessions to be held shortly after the entry into force of the Supplementary Fund Protocol.

**Action to be taken by the governing bodies**

- 5 The governing bodies are invited:
- (a) to consider the apportionment of joint administrative costs between the 1992 Fund and the 1971 Fund for the period 1 January to 31 December 2005; and
  - (b) in particular, to consider the Director's proposal that the apportionment should be based on a flat management fee of £325 000.
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