



INTERNATIONAL
OIL POLLUTION
COMPENSATION
FUND 1971

ASSEMBLY
20th session
Agenda item 13

71FUND/A.20/12
8 October 1997

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SECRETARIAT WORKING METHODS

Note by the Director

- 1 At its 19th session, the Assembly instructed the Director to review the working methods within the Secretariat, possibly with the help of an outside consultant, in order to obtain the most efficient and cost effective way of managing the 1971 Fund and the 1992 Fund (document 71FUND/A.19/30, paragraph 12.7).
- 2 At its 3rd extraordinary session, the Assembly took note of the information contained in document 71FUND/A/ES.3/5 on the terms of reference proposed by the Director for a consultant to be engaged to carry out the study to review the working methods within the Secretariat.
- 3 In the discussions at the Assembly's 3rd extraordinary session, a number of delegations expressed the view that the terms of reference should be formulated along the lines indicated by the Director. Several delegations considered that it should be made clear that the consultant should also study the present system of handling claims (including the use of experts in claims handling), as well as the use of experts in other aspects of the Organisation's work and the procedure for the selection of experts.
- 4 The Director was instructed to proceed with the study and to revise the terms of reference of the consultant in the light of the Assembly's discussions (document 71FUND/A/ES.3/7, paragraph 6.1.6).
- 5 Following the discussion at the Assembly's 3rd extraordinary session, the Director fixed the terms of reference for the review of the working methods of the Secretariat as follows:

Overall objective: A review of the present structure of the Secretariat, its working methods and the distribution of tasks based on the current and future needs of the 1971 and 1992 Funds.

The review should include the following:

- 1 an assessment of the organisational structure of the Secretariat;
- 2 an assessment of the system used for handling claims for compensation, including the use of external experts for this purpose and the use of local claims offices;
- 3 an assessment of the present system of using external experts to prepare specific studies and assist where deemed appropriate;
- 4 an assessment of the system for the selection of experts and of staff of local claims offices;
- 5 an assessment of the extent to which the Director should delegate authority to take decisions in respect of the approval or rejection of claims, in respect of financial issues, and in respect of administration; and
- 6 an evaluation of the current posts in the Secretariat and of the distribution of work.

6 The discussion at the Assembly's 3rd session showed, in the Director's view, that the Assembly attached great importance to the review of the Secretariat's working methods and related issues. For this reason, the Director considered it important that the review should be carried out using the widest possible experience in the field of management study. He therefore engaged two firms of consultants to carry out the review jointly, ER Consultants of Manchester (United Kingdom) and Gestion Publique Conseil of Paris (France).

7 The team of consultants commenced its work in July 1997. As instructed by the Director, the consultants have prepared an interim report setting out their progress and the key issues involved. The interim report is reproduced in the Annex.

8 It has been agreed that the consultants will produce a final report with clear recommendations by January 1998. The Director intends to present to the Assembly at its next session, which will probably be held in the spring of 1998, proposals for such amendments to the structure of the Secretariat and its working methods as he considers required in the light of the final report.

9 At the Assembly's 3rd extraordinary session, the question was raised whether a small monitoring group should be established to follow the work of the consultant. The Assembly decided that this matter could be addressed at a later stage. The Assembly may wish to revert to this issue.

10 The total cost of the consultants' work is estimated to be in the region of £90 000. The Director intends to pay the costs of the study from the appropriation in the 1997 budget in Chapter V for consultants (item c) and/or from Chapter VI (Unforeseen expenditure, such as consultants' and lawyers' fees, cost of extra staff and cost of equipment).

11 Action to be taken by the Assembly

The Assembly is invited:

- (a) to take note of the information contained in this document and in particular of the consultants' interim report;

- (b) to give the Director such instructions in respect of the review of the working methods within the Secretariat as it may deem appropriate;
- (c) to consider whether a small monitoring group should be established to follow the work of the consultants; and
- (d) to take note of the Director's intention to meet the cost of the study as set out in paragraph 10 above.

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ANNEX

INTERNATIONAL OIL POLLUTION COMPENSATION FUND

MANAGEMENT REVIEW

INTERIM REPORT

October 1997

ER Consultants
7th Floor
St James's Building
Oxford Street
Manchester
M1 6EJ

Gestion Publique Conseil
139 Rue de Bercy
75572 Paris

1. Introduction

The environment within which the Fund operates has changed markedly since the Fund's inception.

Between 1986 and 1995 more oil has been transported by sea, but the number of oil spills has decreased. The average number of both major and intermediate spills per year has dropped dramatically during the 1980's and 1990's to between a half and two thirds of the number seen during the 1970's. This trend continued in 1996.

However, the percentage of tanker spills covered by the Conventions has increased markedly as ratification has become more widespread. In 1978 there were 14 IOPC Fund member states, in 1997 there are 74. There are 3 states which have gone straight into the 1992 Fund.

Simultaneously the cost of claims is quickly growing. A recent study (Ms Grey, ITOPIF) shows there is an increase in the average cost of Fund claims in recent years. In the past the Fund was mostly involved in refunding claims related to clean-up operations. Since the Braer incident claims based on pure economic losses are becoming increasingly important. These types of claims are costlier, since they generally concern a large population. Processing is complex and time consuming. Furthermore their cost is simply adding to the cost of clean-up operations and not a substitute to it.

There have also been a number of cases which have not yet been settled where the total claims presented exceeded the total amount of compensation available. This trend is a source of considerable concern to the IOPC Fund - (with cases being brought to court and the provision of prompt compensation to claimants consequently undermined).

The processing of claims has become increasingly complex. In 1989 the Executive Committee met for 2.5 days. In 1996 that increased to 10 days. In 1989 seven documents were issued for the Executive Committee sessions, in 1996 there were 70.

The usage of the photocopying has grown. In 1992 102,100 copies were made. In 1996 there were 344,000.

These are only a few of the indicators of the Secretariat's increased workload. The increase derives not only from claims processing but also from the Assemblies and Executive Committee meetings that are increasing due to the complexity of incidents and other issues under consideration. These require more decisions of principle that the Director cannot take.

Despite the dramatic increase in workload, the operating expenses of the Fund Secretariat have remained modest. In 1991 Secretariat expenses as a proportion of claims paid out were 11%. In 1996 the figure was 5%. In 1991, every £1 spent on Secretariat expenses resulted in £9.06 being paid in claims. By 1996 this figure had risen to £20.10

The overall situation has resulted in a work overload for the Secretariat, which is not likely to diminish in the years to come with the increased number of states ratifying the 1992 Convention and possibly later with the entry into force of the HNS Convention.

It is clear that a critical point has now been reached. Decisions will need to be taken in the near future to ensure that the Secretariat can continue, in future, to fulfil its duties at the same level of excellence as in the past.

This interim report outlines our initial observations. We have held a wide range of interviews and discussions with many interested parties. We are completing this process during the Assembly week.

The challenge facing the Secretariat in the coming years is to ensure that the Fund can fulfil its objective of paying compensation quickly and equitably. This has to be achieved by responding swiftly to incidents as required by member states, by providing value for money and by ensuring that claimants receive equal treatment all around the world. A balance between these three objectives must be maintained in an increasingly demanding environment.

We believe that the key issue facing the Secretariat can be described in the following terms: A very small secretariat was created to administer a small international organisation. It must now evolve and transform itself to tackle more complex problems and an increased workload. The decision was taken in 1978 by the Assembly that the Fund Secretariat should be as small as possible and rely on external consultants for specific tasks. The question, in 1997, is how small does small mean?

The intention of this report is to enable delegates to the Assembly to understand this central issue. We also describe other issues which we believe the Fund needs to tackle. Our final report will make recommendations on them all.

2. Specific Issues and Observations

Following extensive discussions with Secretariat staff, experts, members of delegations and other people dealing with the Fund, it is clear that a number of issues and concerns are emerging, which will be developed into proposals for improvements and reform in the subsequent stages of our work. These issues and concerns are identified below and are broadly related to the terms of reference to which they predominantly refer.

2.1 Assessment of the organisational structure of the Secretariat and evaluation of the current posts

All the staff members of the Fund have been interviewed, and subsequently, many of them have requested more time with the consultants in order to further develop their contributions to the data for the study. We have been particularly impressed by the degree of co-operation and support for the study shown by all staff members and by the amount of time that they have willingly set aside to support the study.

A number of key issues have emerged which we will develop further into recommendations in the full report to be completed in the New Year.

Key issues:

- the legal interpretation of "executive responsibility"
- the culture of director centred management
- the aims of the organisation and the output planning process
- the management of performance at both organisational and individual level
- the clarity of reporting relationships and roles
- the planned management and development of people from recruitment to retirement
- communication within and outside the Secretariat
- the capitalisation of the Fund's knowledge assets
- the current use of IT equipment by the Secretariat
- the strategic development of IT hardware and software
- the application of the UN/IMO staff systems and procedures

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- the implications of the final recommendations of this study for the evaluation of current posts
 - the resources available to the Secretariat including scientific expertise

2.2 The use of external experts and the way they are selected

We have interviewed widely amongst the experts themselves, the P&I Clubs, ITOPF, the Oil Industry, some delegation members and Secretariat staff. Whilst we still require to interview delegation representatives in the Assembly week, substantial and consistently clear themes are beginning to emerge. Once again, we have been impressed by the warm co-operation and support we have received from interviewees and by the high regard in which the work and activities of the Fund are held.

Key Issues:

- the tendering and selection process for "contracted out" services
- the management of "contracted out" services, including the purchase of translation services from IMO
- the assessment of value for money for "contracted out" services.
- the quality assurance of expert opinions and recommendations
- the predominance of the UK expert base and the use of international and local experts

2.3 The claims handling process and the local claims offices

We have interviewed and reviewed the claims process with the Claims Officers at the Secretariat. We have also reviewed and examined the Milford Haven office in particular detail. All interviewees have been asked to express, in detail if possible, their views on the operation of the claims handling process.

Key Issues:

- the value of establishing local claims offices
- the life cycle of a local claims office
- the standardisation of the claims handling process, incorporating best practice, including a detailed examination of the Japanese experience
- the retention and consolidation of the knowledge, skills and experience of local claims offices within the Secretariat

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- the management of local claims offices by the Secretariat including the claims handling process
 - the overall management of the claims handling process

2.4 Extent to which the Director should delegate authority in respect of the approval/rejection of claims, financial issues and administration

We have based our analysis of the key themes on the comments raised by interviewees, both internal and external to the Secretariat. There has been a remarkable consistency of view and tone to these comments which has assisted the extrapolation of the key themes emerging at this stage.

Key Issues:

- the increasing level of responsibility for the Director as the 1992 Convention comes into force
- the definition of what it is possible to delegate in terms of the Convention
- the workload of the Director
- the delegation of responsibility and work to Secretariat staff

3. Next Steps

As a result of the work completed so far it is now possible to give broad indications of the areas where we expect to make recommendations for improvement and reform within the Secretariat . These are as follows:

Secretariat management process and structure

Job roles and responsibilities

Selection , management and value for money of
contracted out services

Claims handling process

We expect that some recommendations will lead to improvements in the efficiency and effectiveness of the Secretariat . However this, in our view, will be insufficient to enable the Secretariat to meet its future commitments . We believe that an increase in technical and staff resources is likely to be required in the near future.