



IHB File No. SPWG-2

**CIRCULAR LETTER 63/2006
21 September 2006**

**REPORT OF THE FINANCE COMMITTEE WORKING GROUP (FCWG) ON
THE SALARY SCHEME FOR THE SECRETARY-GENERAL AND DIRECTORS
UNDER THE NEW STRUCTURE OF THE ORGANIZATION**

- References:
- (a) CL No. 2/2006 dated 13 January 2006
 - (b) CL No. 37/2006 dated 7 April 2006
 - (c) Letter from the Chairman of FCWG dated 25 August 2006.

Dear Hydrographer and Finance Committee Member,

In reference (b), Member States agreed to the SPWG proposal for the establishment of a Finance Committee Working Group (FCWG) to study the salary scheme for the Secretary-General and Directors under the new structure of the Organization. The WG met at the Bureau on 24 and 25 July 2006, and the members of the WG were: Mr. Alan MAIDMENT from the UKHO acting as Chairman, Mrs. Ingelore HERING from the German Hydrographic Service and Mr. Frode KLEPSVIK, Director of the Norwegian Hydrographic Service. The WG based their deliberations on the following guidelines approved by Member States:

- a. a differentiated salary scheme for the Secretary-General and Directors reflecting the difference in roles and responsibilities;
- b. a mechanism for periodic adjustments;
- c. allowance for representation and related criteria;
- d. consider additional benefits;
- e. consideration of the financial implications on the IHO budget.

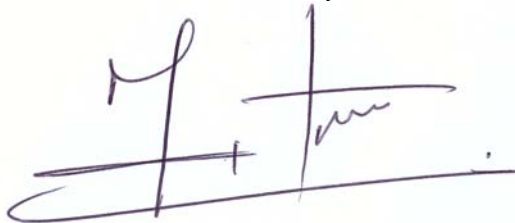
The salient aspects of the report of the FCWG, contained in its entirety at Annex A, are summarized below:

- a. full adoption of the UN pay system, including application of changes in the post adjustment factor at the time of promulgation to existing salary scales for the Secretary-General and Directors;
- b. this change should take effect from the implementation of the new administrative structure and should apply to all IHO salaries that are linked to the UN structure;
- c. assimilation of the Secretary-General's post to the Assistant Secretary-General level on the UN scales with the Directors' posts remaining at D1;
- d. an independent review of the grading should be sought from the Global Consultative Service of the UN, once job descriptions have been agreed by the Member States in respect of the Secretary-General and the Directors by the latter. This grading should then be adjusted accordingly;
- e. formal allocation of a budget for use by the Secretary-General for meeting the costs of representation requirements, as part of the IHO budget rather than as a personal allowance;

- f. the implementation of these proposals can be absorbed within the operating budget without any need to increase the annual contributions of Member States.

This subject will be an Agenda item of the meeting of the Finance Committee that will be held on Saturday 5 May 2007, just before the XVIIth International Hydrographic Conference. Members of the Finance Committee and Member States may provide any comments which will be considered by the Directing Committee and the Finance Committee Officers at their meetings.

On behalf of the Directing Committee
Yours sincerely,

A handwritten signature in dark ink, appearing to be 'A. Maratos', written over a light blue background. The signature is stylized with a large initial 'A' and a long horizontal stroke.

Vice Admiral Alexandros MARATOS
President

Annex A: FCWG Report on Salary Scheme

**REPORT OF THE WORKING GROUP OF THE FINANCE COMMITTEE
ESTABLISHED BY THE DECISION ARISING FROM THE 6TH AND 7TH
MEETINGS OF THE SPWG HELD IN JULY AND DECEMBER 2005 TO STUDY
THE SALARY SCHEME FOR THE SECRETARY-GENERAL AND DIRECTORS
UNDER THE NEW STRUCTURE PROPOSED FOR THE IHO**

The WGFC met at the IHB 24 - 25 July 2006 to study the salary scheme of the Secretary -General and Directors under the new organisation structure of the IHO as approved by the 3rd Extraordinary Hydrographic Conference in April 2005. This was in response to the mandate approved by the Member States in response to CL No 2/2006.

Membership of the WGFC comprised: Alan Maidment representing the United Kingdom Hydrographic Office acting as Chairman of the Group, Frode Klepsvik, Director Norwegian Hydrographic Service, Ms Ingelore Hering, representing the BSH, Germany.

Nominees received from Mozambique, New Zealand, Papua New Guinea and USA were unable to attend.

GENERAL CONSIDERATIONS

The WGFC were briefed by the IHB President on the basis by which staff are recruited to the IHB, the current convention whereby all Directors were deemed of equal standing in terms of responsibility for their specific functional activities, the decision of the Member States in 2002 to task the SPWG to undertake a review of the current structure and the acceptance by Member States of the SPWG's proposals in 2005 for re-structuring the administration of the IHO with the appointment of a Secretary-General and two supporting Directors. This led to the establishment of the working group. The President also drew attention to the work of a former Finance working group in 2003 that was tasked by the XVI IH Conference, 2002, to undertake a review of IHO salaries, recommending alignment to the UN structure which had been endorsed by Member States.

APPROACH

The working group's approach was governed by guidelines provided as part of the mandate approved by Member States in acceptance of CL No 2/2006. These were:

- i. A differentiated salary scheme for Secretary-General and Directors reflecting the difference in roles and responsibilities;
- ii. A mechanism for periodic adjustments;
- iii. Allowance for representation and related criteria;

- iv. Consider additional benefits;
- v. Consideration financial implications on IHO budget.

REVIEW PROCESS

Before addressing the specific areas for review the working group addressed the applicability of the UN salary structure to the new regime. In his initial briefing the President advised the working group of details that he had been able to obtain, on an informal basis, of the salary structure for three similar International organisations viz: the International Maritime Organisation, International Association of Lighthouse Authorities and Aids to Navigation, Maritime Laboratories Division of the International Atomic Energy Agency and Inter-Governmental Oceanographic Commission.

Based upon the information that the President had been able to obtain it appeared that the respective remuneration arrangements ranged from the application of rates from the UN pay structure to special contract arrangements, including provision of cars and rental and housing contributions. However, there was insufficient specific evidence to enable the working group to make any meaningful direct comparisons between the responsibilities of the incumbents of these organisations and the IHO.

In view of this the working group considered that retention of the existing UN structure afforded advantages of transparency, predictability of approach and eliminated the future requirement for the re-negotiation of salary packages in relation to future appointments. The system is widely recognised and easily implemented as it effectively forms the current basis by which the salaries of current Directors and other internationally recruited IHO posts are determined. The working group therefore recommend that the UN pay structure should form the basis of determining the salaries of the Secretary - General and Directors under the revised operating regime. This means embracing the full application of the UN pay assessment including the periodic post adjustment factor.

Case for a differential salary structure

The working group reviewed the proposed changes in responsibility and authority which will arise from the revised structure. It noted in particular that the Secretary - General would assume the following responsibilities and inter alia:

- personal accountability to the Assembly, Council and Finance Committee;
- advice on restructuring the work programme to the Council;

- full responsibility as the Chief Administrative Officer for the administration, corporate governance and documentation relating to the day to day operations of the IHO;
- the authority to invite observers to the Assembly, Council etc. in accordance with the conditions in the General Regulations;
- the calculation of seats for the Council allocated to each RHC based on information provided by the RHCs.

It was quite apparent that this would lead to a reduction in the direct responsibilities of the remaining Directors who, although retaining accountability for their own specific areas of operation, would exercise this through the Secretary-General.

Based upon the fundamental changes in accountability the working group recommends that a pay differential should be established between the Secretary - General and the Directors.

In addition, in order to avoid the potential for the convergence of salary points between the Secretary - General and Directors due to the over lapping of the respective UN pay scales for different grades the working group recommends that a two step differential should be adopted. The working group did not consider that the introduction of the revised structure would have any impact upon any other grades.

The establishment of appropriate UN pay scale grading under the new structure was reviewed by the working group. Based upon the findings of the previous review undertaken by Global Consulting Services (GCS) of the UN in November 2002, it was noted that the Directors had been graded at the UN D2 level although, primarily for financial reasons, the review by the former working group into IHB salaries in 2003 had recommended that their pay should be assimilated to the lower UN D1 level.

Ideally the assimilation of the Secretary-General and Directors under the revised regime should be determined through a similar process. However, the working group also noted the impracticability of this at the time of their review. Under the revised operating arrangements it falls to Member States to approve the job description for the Secretary - General and for the latter to determine those for the Directors. In the absence of agreed job descriptions the working group considered that it was reasonable to assume that a future review of the Director posts would affirm a UN grade level of D1 in view of the reduced authority and accountability of these posts. We therefore recommend assimilation of the Secretary-General post to the Assistant Secretary General level on the UN scales with the Directors posts remaining at D1 (i.e. maintaining a two level salary difference)

Once agreed job descriptions have been determined for the Secretary - General and Director posts, the working group recommends that an independent review of the gradings should be sought from GCS. The gradings should then be adjusted accordingly.

Mechanism for periodic adjustment

The previous study by the finance working group into IHO salaries, undertaken in 2003, recommended adoption of the UN pay system with one modification in relation to the revision of salaries for the UN post adjustment. The latter is a mechanism for reflecting changes in the impact of local inflationary and exchange rate fluctuations on the respective salary base rates. The 2003 study recommended that this adjustment should only be taken into account upon the recruitment or re-appointment of staff. In the interim period all salaries would be subject to an annual inflationary adjustment based upon that applied in determining salary rises in the Monaco Civil Service. In order to avoid such future disparities arising the working group recommend the full adoption of the UN pay system including application of changes in the post adjustment factor at the time of promulgation to existing salary scales for the Secretary - General and Directors. This change should take effect from the implementation of the new administrative structure and should apply to all IHO salaries that are linked to the UN structure.

Allowance for representation

The working group recognised that in the new role the Secretary - General will be expected to receive visits from international delegations, dignitaries and other bodies associated with the work of the IHO. Member States would wish such bodies to be received in a manner that portrays a favourable impression of the organisation. This will inevitably involve the provision of expenditure in the provision of social activities appropriate to the occasion. The working group recommend the formal allocation of a budget for use by the Secretary-General for meeting the costs of representational requirements. We would see this forming part of the IHO total budgetary requirement rather than as a personal allowance.

Additional Benefits

These were interpreted by the working group as comprising payments towards items such as housing, car allowance etc. It was the view of the working group that the UN pay scales took account of local cost of living expenses. It also noted that the Secretary - General's accommodation is already subsidised by the Government of Monaco and that the revised structure is unlikely to have any impact upon this arrangement. The provision of a car was also considered but the working group could see little practical benefit of this within the Monaco

environment. However the working group recommends that costs related to the daily operation of the IHO should be funded from the approved budget e.g. mobile telephone costs, as currently provided.

Financial implications on the IHO budget

The working group recognises that the implementation of these proposals should not result in an increase on members annual contributions. We have assessed the potential impact based upon 2006 UN pay scales for illustration. This indicates that an increase of approximately K€45 to the current annual operating budget or a 1.8% increase. This can be absorbed within the operating budget of the organisation without need to increase the contributions for this reason.

Summary

The proposed revised operating structure will result in fundamental changes in the respective accountability, responsibility and authority between the roles of the Secretary - General and those of the remaining Directors. The changes justify the implementation of a pay differential between the respective posts. The adoption of the UN pay regime as the basis of remuneration will provide a ready means for the application of a transparent methodology for the periodic adjustment of salaries. Initially, the grading of the Secretary -General should be assimilated to the UN grade Assistant Secretary General (ASG) and Directors at UN Grade D1. Once formal job descriptions have been established a review by the UN Global Consulting Services should be undertaken to verify the levels. Any resulting variations identified should be adjusted accordingly. It is accepted that the Secretary-General will be expected to receive visits from international representatives, dignitaries and other influential parties in his role and that appropriate budgetary provision should be included to meet these costs. No reason for the payment of additional personal benefits over and above the UN rates is considered appropriate although it is agreed that all expenditure incurred in meeting daily operating costs of the IHO are covered by the budget. No increase in member's contributions should result from the implementation of these changes.

RECOMMENDATIONS

The working group recommends that:

- a. based upon the fundamental changes in future accountability a pay differential should be established between the Secretary - General and Directors.
- b. the full adoption of the UN pay system, including application of changes in the post adjustment factor at the time of promulgation to existing salary scales for the Secretary-General and Directors. This change should take effect from the

implementation of the new administrative structure and should apply to all IHO salaries that are linked to the UN structure.

c. assimilation of the Secretary-General post to the Assistant Secretary General level on the UN scales with the Directors posts remaining at D1 (i.e. maintaining a two level salary difference);

d. an independent review of the gradings should be sought from GCS once job descriptions have been agreed by the Member States in respect of the Secretary-General and the Directors by the latter. The gradings should then be adjusted accordingly.

e. formal allocation of a budget for use by the Secretary-General for meeting the costs of representational requirements. We would see this forming part of the IHO total budgetary requirement rather than as a personal allowance.

f. costs related to the daily operation of the IHO should be funded from the approved budget e.g. mobile telephone costs, as currently provided.