APPENDIX 8

EXPANDED DISCUSSION ON AGENDA ITEM 10.4 SPC/SOPAC INTEGRATION

The Director introduced paper AS29/10.4 (SOPAC/SPC Integration) and it's supplement, the Final Consultants Report on the SOPAC/SPC Integration Study (SOPAC Miscellaneous Report 392*). He gave some background to the initiative and a report on the progress during the year. He also expressed regret the final consultants report had not been ready in good time for Council to make considered deliberations on the consultants' findings. (Delegations received the report when they registered on arrival at the meeting).

At the Chair's invitation, the consultants briefed Council on their work, the consultation processes and the series of meetings they conducted throughout the region. The places they couldn't visit, they conducted telephone interviews. They thanked Council members and all the organisations that facilitated their work for their assistance during their consultations. They acknowledged that the delay in release of their final report was primarily due to the difficulty in extracting comments from the various stakeholders on the draft report sent out by the consultants in July.

The consultants then walked Council through their report, chapter by chapter, and especially highlighted Annex 4: the balance sheet of advantages and disadvantages of an SPC/SOPAC merger. Essentially their report supports the integration of the two organisations. It discusses a number of organisational models and recommends the simplest – that of SOPAC integration into SPC as a new division with its own Director, given that the chief concern among stakeholders is that the integrity of SOPAC's programs be preserved. They presented their model of the one merged, restructured organisation, and identified an annual savings of $480,000 if the model were to be acceptable for implementation by Council. They also identified a further $35,000 savings if there was a common facility in Suva to house both the operations, but they also pointed out that the emergence of such a common facility is most probably delayed given the situation in Suva. The consultants recommended that these annual savings be channelled back into the work program rather than returned to the member countries.

The consultants also drew Council's attention to the synergies they identified between some technical programs of the two organisations, and how a merger would certainly result in improving quality and efficiency of services to the region. They commended highly the dynamism, initiative and objectivity of the two CEOs in starting the whole process of serious analyses of an SPC/SOPAC merger based on their collective perception of these very synergies.

Chair thanked the consultants on the comprehensive presentation of their final report and invited Council to take advantage of the presence of the consultants at the meeting to field questions and commentaries to stimulate discussion on the matter at hand.

Cook Islands thanked the consultants for the comprehensive and detailed report, but he felt that member countries would rather go back home with the report, hold more detailed discussions in their capitals, and study more closely the legal implications of the merger, and it's effect on SOPAC's key activities. He felt more discussion was required on the paper and suggested that Council defer this to a later date so delegations were more familiar with the contents of the report and therefore more prepared to discuss its contents.

Tonga expressed support for the views of the Cook Islands and noted that Annex 6 of the report showed that Tonga was not consulted at all by the consultants. The consultants reported that they had made contact with the SPC representative and that Tonga had reserved their contribution to bring along to this meeting.

At the invitation of the Chair to make preliminary remarks, SPC's Jimmy Rogers assured Council that his understanding of what was required of Council was that member countries would now make their own observations and look at issues themselves. He felt that the consultants had addressed well all that they were asked to look at, and it appeared to him member countries were nervous about the impression of one organisation subsuming another. SPC's position at this juncture was that they were more comfortable listening to SOPAC Council members expressing their views on key issues and seeking clarification on others.

Tuvalu sought clarification about the annual net savings identified in the Executive Summary, under Chapter 5, whether it was for each organisation or the combination of the two? The consultants clarified that the savings was for both organisations combined and was the result of a reduction in management team, meaning with two organisations coming together, the resultant organisation should retain the best people and sacrifice redundant positions in the new structure.

Tuvalu was pleased with the findings of the study, and commended the two CEOs for initiating the process. He stressed the need to ensure that the delivery of services was not compromised. He also echoed the sentiments expressed earlier, that due to the fact that they only got the final report at registration, that they needed to go home with the report and put more time into understanding it before they could discuss its contents.

Marshall Islands expressed their concern on a perceived imbalance of more SOPAC activities versus SPC activities on the ground in the Marshalls. SPC replied that the Marshall Islands' perception meant that SPC's communication/networking arrangement was not working as well as it should, if there was no awareness of their many programs with currently ongoing activities in the Marshalls.

Fiji asked whether a comparison had been made as to which of the two Council arrangements was the better. The consultants replied that having Council meetings in Fiji was a savings to the member countries. Part of what contributed to the annual savings identified by the consultants, was that the merged organisation had one governing body less, which meant less meetings to attend all round. The consultants suggest the retention in the merged entity of the SOPAC arrangement for the STAR/TAG group, as the importance of continued contact with such a group was very apparent. Consultants were encouraged by the fact that most island countries desired an operational presence of the new merged entity in their countries, as is the case with USP. The consultants therefore exhorted Council to progress towards having this operational presence in countries, to eliminate the complaint that benefits accrue to only a few of the countries.

Cook Islands asked the consultants for more details on the areas they identified where savings could be made. The consultants briefly summarised what they thought was the procedural order of restructuring of the new merged entity – to some, the merger meant 'downsizing' which translates to cutting costs and therefore jobs. The consultants immediately saw two middle-management positions as redundant. They informed Council that both governing bodies would have to set the rules about who to let go and who to retain.

Cook Islands thanked the consultants for spelling out his area of concern. He told Council that he had been part of a restructuring exercise in his own country and it was painful. He made a plea that something be in place for the people who would lose their jobs if the merger were to be implemented. The consultants assured that job losses was not their concern at this point but that efficient delivery of services was. The governing bodies of both organisations would be the entities to make the arrangements to put something in place for those likely to be displaced by the merger.

Fiji raised the point that the merger move was towards creation of a larger organisation, and experience has shown that the geoscientific arm of large agencies usually drew the short end of the stick.

The consultants conceded that in their observation of the trend in governments and other agencies; important scientific fields suffer from neglect. Given that the greatest concern of Council was to preserve the integrity of SOPAC Programs, the consultants found that donors saw their priorities through programs which made priority setting for them not such a big issue.

Papua New Guinea asked whether the options provided to Council by the consultants were the only options, or could SOPAC continue to act alone? The consultants hastened to say that it wasn't their decision but that of Council, based on how important to Council science and technology was. Council could very well decide to remain as they are, but the consultants were tasked with looking at options for merger.

On the issue of SOPAC losing out, in the merged entity, on effective delivery of its programs to member countries, SPC's Deputy Director-General, Jimmy Rogers, gave a brief overview of the SPC technical programs and how they were managed. He reported that SPC ran bigger technical programs, and that he saw SOPAC, if the merger went ahead, as being grafted into SPC as a stand-alone technical program with its own divisional head. There was independence within a division, and the Director-General and Deputy had little to do with the running of the technical programs. He said that the proliferation of regional organisations (8) was the result of them being set up only when regional countries perceived the gaps in their development needs and moved to correct the deficiency. The trend now was that member countries wanted considered opinion with respect to technical programming in the region. Some type of priority setting by them was needed to serve as guidance to the larger technical programmes. Linkages with other technical organisations needed to be identified to help with priority setting. He went on to reassure Council that neither SPC nor SOPAC was pushing integration. He discerned that one of the main fears by member countries is that one program gets subsumed by another. Both organisations are just looking at improved service to the countries, and he was thankful that at least SPC's CRGA would have had ample time to cite the report and be better briefed on it, when the same consultants' report gets tabled at its next session.

Marshall Islands wanted to know from the consultants, who had possibly examined all the facts contributing to the merger of SOPAC and SPC, firstly, if the merger would serve the interest of the region. Secondly, would there be any problems with the two organisations working together with different work programs; and would that have an effect on the delivery of projects and services.

The consultants remarked that in any merger, so much depended on the culture of the two organisations – that everything was possible when people put their mind to it; and they were gungho and motivated about it. SPC and SOPAC are both scientific organisations with technical people and a devoted management who were already working very closely together; the consultants were optimistic and had no doubts that a merger would work out, but they could be entirely wrong.

New Zealand raised two points of concern: i) the basis of the assertion on page 10 that said "SOPAC has attracted adequate funding but there is some concern over its financial viability in the longer term", which appeared to be at odds with the reports presented to the Council meeting; and ii) a question as to whether or not the predicted savings were realistic or an illusion.

Discussion on pp 22-23 on dilution of benefits presented three suggestions if SOPAC was to have to deliver to more countries. Firstly, new members could pay similar core contributions to existing members. New Zealand considered this would not cover the likely costs of additional program delivery. Secondly, the question of additional donor funding. New Zealand observed that this could not be counted on unless new donors were identified. The third suggestion was to use savings generated. New Zealand noted that this would mean in effect that there would be no savings. New Zealand was of the view that some costing of the impact of the extra members needed to be done.

The consultants conceded that the difficulty in securing funds for SOPAC activities was a thing of the past. On the dilution of services, the consultants admitted that they had made certain assumptions based on information given to them by all the stakeholders in their calculations, and this was what they based their suggestions on. It was, however, up to the governing body what to do with the savings. The consultants still felt that the equity arrangement was best, where both members and non-members were to make contributions if they received the benefit of the services.

Fiji raised the question of continuing their annual tax grant, since the taxation arrangement for SPC was not the same as SOPAC. The consultants informed Council that Fiji nationals at SPC enjoyed a tax-exempt status, although they could find no law on which to hang such a privilege. Their understanding was that domestic law overrode international practice, so that they wondered whether some legal research ought to be carried out to clarify the situation. The consultants pointed out that it would be a matter of attitude and for the management of the new enlarged organisation to decide on.

The Director of SOPAC further explained that SOPAC staff paid tax, and the Fiji Government returned 15/16th of that money to SOPAC in the form of an annual grant. This arrangement would appear to be redundant if SOPAC staff were to take up the same tax-exempt status as SPC staff if there was a merger. The consultants again questioned the legality of the tax-exempt status of SPC staff, and suggested that the special grant should not cease but rather be derived from the accrued benefits to Fiji of the presence of such an organisation within its borders. The consultants insisted that if Fiji (or any other country) has benefitted as a country from hosting an organisation that the special grant not be removed; and that its derivation should be something for Council and the host country to talk about.

SPC's Jimmy Rogers explained the two categories of SPC staff: professional and technical support, and that both categories were tax exempt, although local support staff salaries were tax adjusted before payout. The consultants saw no justification in the other countries picking up the costs of what was essentially a benefit only to the host country, should the merger go through and the tax-exempt status is applied to local staff. They do not recommend the removal of the annual grant but that it be calculated based on the accrued benefits to the host country of the presence of the organisation within its borders.

After these discussions and because most members had only just seen the final report, Council agreed that the issue be deferred for consideration at its next annual session, to allow more time for full consideration in capitals. Council further agreed that SOPAC and SPC work together over the next year to ensure that member-country concerns were more fully explored and addressed. Council instructed the Secretariat to convey this deferral decision to the Secretariat of the South Pacific Community.

**Copies of the consultants' report are available from the SOPAC Secretariat on request.*