



**International Mobile Satellite Organization**

**ASSEMBLY**

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Agenda item 7.2

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Origin: Director

Date: 28 July 2008

**LONG RANGE IDENTIFICATION AND TRACKING OF SHIPS (LRIT)**

**LRIT BUSINESS PLAN**

<b>Executive Summary:</b>	This document provides the latest information on the LRIT Business Plan under development by the Director which has been revised and simplified to take account of the decisions and opinions of MSC 84, and which has been reviewed by the Advisory Committee
<b>Action to be taken:</b>	1. to note the information provided 2. to decide that continuing review of the Business Plan and advising the Director on setting the Annual Audit/Review Fee and Daily "Per Diem" Fee for LRIT should be added to the Committee's terms of reference.
<b>Related documents:</b>	ASSEMBLY/20/7.1-7.5; ASSEMBLY/20/8.1/ADD/1 ASSEMBLY/20/13.1 (not yet available)

**1 BACKGROUND**

1.1 The IMO Maritime Safety Committee (MSC), at its eighty fourth session (London, 7 to 16 May 2008) considered a number of submissions relating to LRIT, including MSC 84/6/4 by IMSO, and:

*"6.133 ... advised IMSO that Contracting Governments had serious reservations in relation to the methodologies which were being considered for the determining the charges to be levied by IMSO when conducting performance review and audit of DCs and the IDE and with respect to the total cost of the performance review and audit.*

*6.134 The Committee, without interfering in the internal affairs of IMSO, urged those Contracting Governments which were also IMSO Parties to explore, during the deliberations of the IMSO Advisory Committee and the forthcoming session of the IMSO Assembly, how the charges to be levied by the LRIT Coordinator for conducting performance review and audit of the LRIT system could be brought down to affordable levels and apportioned in a fair and reasonable manner amongst those who have to bear the burden."*

1.2 In addition to the opinions stated above, the MSC revised the performance standard, and adopted new resolution MSC.263(84): *Revised Performance Standards and Functional Requirements for the Long-Range Identification and Tracking Of Ships* (a copy of which will, for convenience, be made available to the Assembly ASSEMBLY/20/INF/9), which, *inter alia*, clarifies the role of the LRIT Co-ordinator in response to the request by IMSO in its submission MSC 84/6/4. In clarifying the Co-ordinator's role, the MSC has made a number of decisions that in aggregate have the effect of limiting the review and audit process. This has allowed the Director to completely revise his proposals for the staffing needed to fulfil the LRIT Co-ordinator responsibilities of IMSO, with a consequential significant reduction in the budget required.

1.3 However, the decisions that the MSC would not endorse barring and payment in advance (MSC 84/24 paragraph 6.106) leave IMSO with significant business risks, with consequential potential financial liabilities for IMSO Member States. This document therefore provides information on the Director's current proposed business plan, which has been revised and simplified to take account of the decisions and opinions of MSC 84 and establishes a regime of "stage payments" as a mechanism to limit the exposure of IMSO Member Governments in this respect and ensure, as far as is possible, a positive cash flow for the Organization.

## 2 **ADVISORY COMMITTEE**

At its Twenty-Second Session, the Advisory Committee (AC/22/Report, Section 7.9 refers) noted the development of the LRIT Business Plan, and agreed:

- (a) the Director's revised proposals in relation to the establishment of Fees for LRIT-related work of the Organization;
- (b) the Director's proposed Terms of Business, including the provision for stage payments of the Annual Fee for Audit and Review;
- (c) to keep the draft Business Plan under review as the MSC finalises its consideration and implementation of the LRIT system; and
- (d) to recommend to the Assembly that continuing review of the Business Plan and advising the Director on setting the Annual Audit/Review Fee and Daily "Per Diem" Fee for LRIT should be added to the Committee's terms of reference.

**3 ACTION REQUIRED**

The Assembly is invited:

- .1 to note the information provided; and
  - .2 to decide that continuing review of the Business Plan and advising the Director on setting the Annual Audit/Review Fee and Daily "Per Diem" Fee for LRIT should be added to the Committee's terms of reference.
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**LONG RANGE IDENTIFICATION AND TRACKING**  
**(LRIT)**

**IMSO LRIT BUSINESS PLAN**



### References:

This paper should be read in conjunction with the following reference documents:

1. IMSO ASSEMBLY/19/8 Record of Decisions of the Nineteenth (Extraordinary) Session of the Assembly
2. IMSO AC/22/Report Report of the Twenty-second session of the Advisory Committee
5. IMO MSC 82/24 & 82/24/Add.2 Report of the eighty-second session of the Maritime Safety Committee (MSC)
6. IMO MSC 84/24 Report of the eighty-fourth session of the Maritime Safety Committee (MSC)
7. IMO MSC resolution 202(81) Adoption of amendments to the International Convention for the Safety of Life at Sea, 1974, as amended
8. IMO MSC resolution 211(81) Arrangements for the Timely Establishment of the Long-Range Identification and Tracking System
9. IMO MSC resolution 242(83) Use of the Long-Range Identification and Tracking Information for Maritime Safety and Environment Protection Purposes
10. IMO MSC resolution 243(83) Establishment of the International LRIT Data Exchange on an Interim Basis
11. IMO MSC resolution 263(84) Revised Performance Standards and Functional Requirements for the Long-Range Identification and Tracking of Ships
12. IMO MSC resolution 264(84) Establishment of the International LRIT Data Exchange on an Interim Basis
13. IMO MSC.1/Circ.1259 Interim Revised Technical Specifications for the LRIT System
14. IMO MSC.1/Circ.1258 Guidance to Search and Rescue Services in Relation to Requesting and Receiving LRIT Information
15. IMO MSC.1/Circ.1256 Guidance on the Implementation of the LRIT System

## 1 Introduction

### Description of the International LRIT System

1.1 LRIT is the international system for the Long Range Identification and Tracking of Ships. It has been developed by the Maritime Safety Committee (MSC) of the International Maritime Organization (IMO) and is due to become operational for the first participating ships on, or soon after 31 December 2008. The basic elements of the international LRIT system, as decided by IMO, are shown in figure 1.

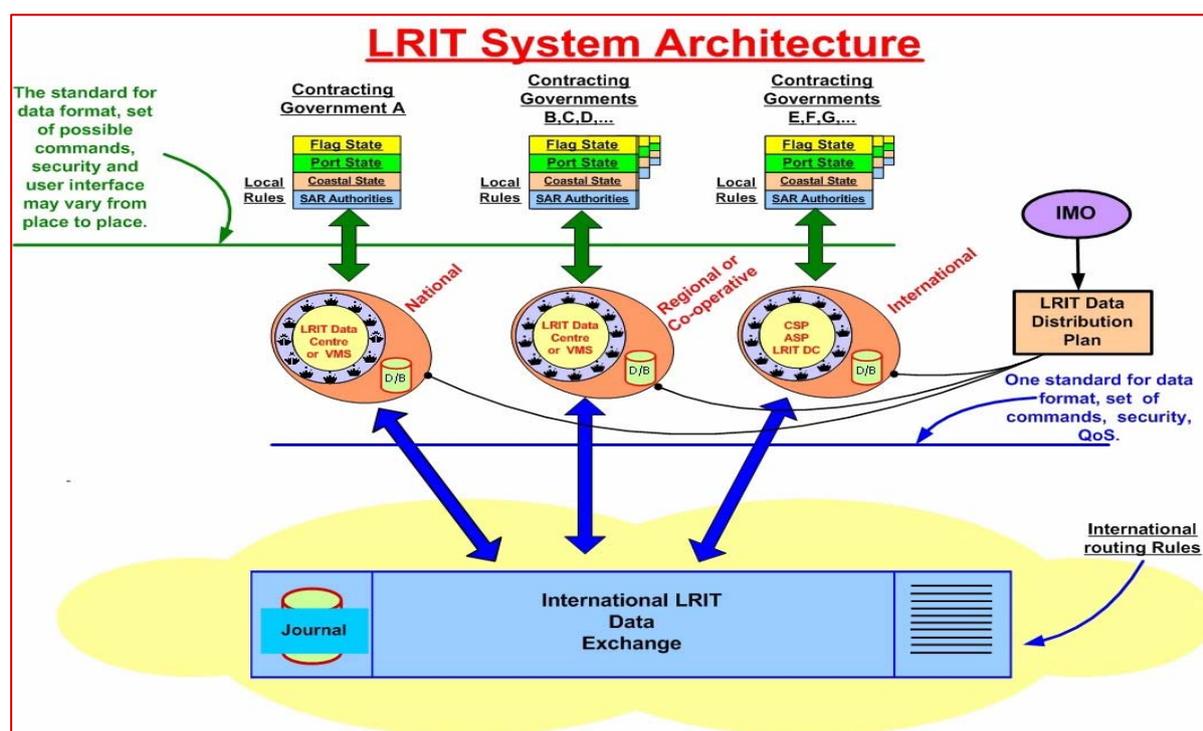


Figure 1: LRIT System Architecture (IMO MSC Resolution 210(81), annex)

### The Role of the LRIT Co-ordinator

1.2 Certain aspects of the performance of the International LRIT System are to be overseen, reviewed and audited by the LRIT Co-ordinator, appointed by IMO to act on behalf of all SOLAS Contracting Governments (IMO MSC Resolution 210(81), annex, paragraph 1.2).

1.3 The MSC, at its eighty-second session (Istanbul, December 2006), appointed IMSO to be the LRIT Co-ordinator. In taking this decision, MSC 82 "invited IMSO to take whatever action it could in order to ensure the timely implementation of the LRIT system." (MSC 82/24 paragraph 8.49).

1.4 The IMSO Assembly, at its Nineteenth (Extraordinary) Session (London, March 2007), decided "... that the Organization may assume the functions and duties of the LRIT Co-ordinator with effect from 7 March 2007, at no cost to Parties, in accordance with decisions of IMO, where Article 4 of the amended Convention will be applied on a provisional basis." (ASSEMBLY/19/8, paragraph 7.8)

1.5 The IMO Terms of Reference for the LRIT Co-ordinator are given in section 14 of IMO resolution MSC 263(84): *Revised Performance Standards and Functional*

*Requirements for the Long-Range Identification and Tracking of Ships.* Other key reference material is included in IMO resolution MSC 202(81): *Adoption of amendments to the International Convention for the Safety of Life at Sea, 1974, as amended*, and IMO resolution MSC 211(81): *Arrangements for the Timely Establishment of the Long-Range Identification and Tracking System.*

## 2 LRIT Implementation Dates

2.1 The obligations of ships to transmit LRIT information and the rights and obligations of Contracting Governments and of Search and rescue services to receive LRIT information are established in regulation V/19-1 of the 1974 SOLAS Convention. The implementation dates for LRIT are established in SOLAS Regulation V/19-1.4.1 as follows:

*"4.1 Ships shall be fitted with a system to automatically transmit the information specified in paragraph 5 as follows:*

- .1 ships constructed on or after 31 December 2008;*
- .2 ships constructed before 31 December 2008 and certified for operations:*
  - .1 in sea areas A1 and A2, as defined in regulations IV/2.1.12 and IV/2.1.13; or*
  - .2 in sea areas A1, A2 and A3, as defined in regulations IV/2.1.12, IV/2.1.13 and IV/2.1.14;*

*not later than the first survey of the radio installation after 31 December 2008;*
- .3 ships constructed before 31 December 2008 and certified for operations in sea areas A1, A2, A3 and A4, as defined in regulations IV/2.1.12, IV/2.1.13, IV/2.1.14 and IV/2.1.15, not later than the first survey of the radio installation after 1 July 2009. However, these ships shall comply with the provisions of subparagraph .2 above whilst they operate within sea areas A1, A2 and A3."*

This means in practice that the fundamental shore-based elements of the LRIT system (interim International Data Exchange (IDE), Data Distribution Plan (DDP), some Data Centres (DCs) and Application Service Providers (ASPs)) must be in place and operational by 31 December 2008.

2.2 Prior to that date, a period of testing and integration of the various elements of the operational LRIT system will take place, beginning on 1 July 2008.

## 3 LRIT Business Prospects

### 3.1 2008

During the test and integration phase, until MSC 85 (26 November to 5 December 2008), the IMO Maritime Safety Committee "... authorized, pursuant to the provisions of paragraph 14.3.2 of the revised performance standards, IMSO acting as LRIT Coordinator to authorize, on behalf of and subject to consideration and approval, acceptance or endorsement of the action by the Committee, the integration, on an interim basis, of the DCs which have undergone and satisfactorily completed

*developmental testing into the production LRIT system."* IMSO will charge for this interim authorisation. The Director has estimated that there may be up to 20 Data Centres ready to participate in the system before 31 December 2008. A small number of these will be integrated into the system through their participation in the early test programme, and will not require interim authorisation, and some may not be ready to integrate until after MSC 85, so the Director is planning on the assumption that approximately 10 Data Centres will require letters of interim authorisation before MSC 85.

It is possible that MSC 85 will decide to continue the requirement for IMSO to provide interim authorisation for Data Centres to integrate with the "production" LRIT system and if this happens, there might be a further 5 or 10 Data Centres requiring the service during 2008.

There will not be any fee income generated by audit and review work during 2008. The first Data Centres to require audit or review will only start operations during the last few months of 2008 and will not be liable for audit until one year later.

### 3.2 2009

It is expected that up to a further 20 Data Centres may elect to join the LRIT system during 2009. If the MSC decides that they, too, should receive interim authority to operate in the "production" LRIT system, then there will be a small income generated by the fees for providing such authorisation arising during the first part of year 2009. It is stressed that this depends entirely on a decision yet to be taken by the MSC.

Income from fees for audit and review of Data Centres will probably commence during the final quarter of 2009, approximately one year after the first Data Centres begin operating in the LRIT system. It is expected that approximately 20 Data Centres will have begun operating during 2008 and will therefore be eligible for audit and review during 2009.

## 4 **Establishing the IMSO Budget for LRIT**

### 4.1 Budgetary and Accounting Procedures

The procedures for development and approval of the budget of IMSO were approved by the Assembly at its sixteenth session (Assembly 16/15 – Report, paragraph 9.1.2). They provide, in general, for the Director of IMSO to develop the budget and the Advisory Committee to agree it, on an annual basis. The annual budget is therefore subject to review by the Advisory Committee before it is implemented. These procedures require amendment to incorporate the LRIT elements of the budget, which are not subject to agreement by Inmarsat, and a proposal to this effect has been submitted to the Assembly for consideration at its Twentieth Session (ASSEMBLY/20/13.1 – not yet available).

4.2 It has been a fundamental and continuing policy in the Director's development of these proposals, fully endorsed by the Advisory Committee, that all costs, capital and revenues relating to LRIT should be accounted for completely separately from those relating to GMDSS and other legacy responsibilities, which are funded on a different basis. The Director, with the assistance of the Accountant, has established accounting

systems and procedures that allow complete financial separation of these two business streams on a daily basis within the Organization's audited accounts.

#### 4.3 Tax

Under the terms of Article 7(1) of the Headquarters Agreement between IMSO and the Government of the United Kingdom, the Organization its property and income are "exempt from all direct taxes" levied by the Government of the United Kingdom. The Organization therefore will not charge UK Value Added Tax on LRIT transactions.

### 5 **IMSO General LRIT Charging Policies**

5.1 IMO has accepted that the LRIT Co-ordinator should be entitled to recover its costs for the LRIT services it provides and established the basis on which this should happen (IMO resolution MSC 263(84) paragraphs 14.7 and 14.8), as follows:

*"14.7 The LRIT Coordinator should establish and communicate to the Committee the charges it would be levying in order to recover the expenditure it incurs for providing the services specified in paragraphs 14.2 to 14.5.*

*14.8 The related charges should be paid to the LRIT Coordinator in accordance with agreed arrangements - taking into account the laws of the Contracting Government(s) concerned - as follows:*

- .1 in relation to the evaluation of proposals for the establishment of the International LRIT Data Centre and/or the International LRIT Data Exchange (paragraph 14.2.3), by those submitting the related proposals;*
- .2 when participating in the testing and integration of the International LRIT Data Centre and/or the International LRIT Data Exchange into the LRIT system (paragraph 14.2.4), by the International LRIT Data Centre and/or the International LRIT Data Exchange as the case may be;*
- .3 when undertaking the investigation of operational or technical disputes or invoicing difficulties (paragraph 14.3.1) by the party requesting the service;*
- .4 when participating in the testing and integration of LRIT Data Centre(s) into the LRIT system (paragraph 14.3.2) by the LRIT Data Centre(s) being tested or integrated;*
- .5 when participating in the testing of new or modified procedures or arrangements for communications between the International LRIT Data Exchange, the LRIT Data Centres and the LRIT Data Distribution Plan server (paragraph 14.3.3), by the International LRIT Data Exchange and/or the LRIT Data Centre(s);*
- .6 when reviewing the performance of ASPs (or CSPs when they act as ASPs) providing services to the International LRIT Data Centre (paragraph 14.4.1), by the ASPs concerned;*
- .7 when auditing the performance and fee structures of LRIT Data Centres (paragraph 14.4.2), by the LRIT Data Centre concerned; and*

- .8 *when auditing the performance and fee structure of the International LRIT Data Exchange (paragraph 14.4.3), by the International LRIT Data Exchange.*

*14.7.3 The Organization should not be required to make any payments to the LRIT Coordinator for any work the LRIT Coordinator may be required to carry out pursuant to any of the provisions of paragraphs 14.2 to 14.5; or for reporting or making recommendations to the Committee pursuant to any of the provisions of paragraphs 14.2 to 14.5.*

*14.7.4 Contracting Governments should not be responsible for making any [direct] payments to the LRIT Coordinator for the services it may be required to provide pursuant to any of the provisions of paragraphs 14.2 to 14.5. However, without prejudice as to the relations between Contracting Governments and the LRIT Data Centres the services of which may use, Contracting Governments may be required by LRIT Data Centres to pay fees for the LRIT information they request and receive which may contain elements to offset the charges paid by LRIT Data Centres to the LRIT Coordinator for the functions it performs. Notwithstanding the aforesaid, the Contracting Government which requests directly from the LRIT Coordinator the provision of a specific service should pay the LRIT Coordinator the relevant charges for the service it has requested."*

5.2 As a general policy, because of the expectation that in the future IMSO's predictable LRIT-related income will be derived almost entirely from Audit/Review Fees, the level of LRIT Audit/Review Fee for each year will be set to ensure that the Organization cannot make a loss, but at no higher level than is required to achieve this (the so-called "not-for-profit" basis). Any "one-off" fees (of the type normally charged at a daily rate) may lead to the accumulation of a small profit for the trading year. It is anticipated, therefore, that the Director will take into account any profit made in one year when deciding the level of fee to be charged in the following year, so that any profits do not accumulate to an unacceptable extent.

5.3 The actual values of the LRIT Audit/Review Fee and the Daily Rate for each year will be decided by the Director, in consultation with the Advisory Committee, in the fourth quarter of the preceding calendar year, as part of the budget development, review and agreement process. The total of all LRIT Audit/Review Fees will not be less than the total LRIT agreed budget, and will normally be more, by a small amount calculated to provide the necessary margin to ensure the Organization does not make a loss on its LRIT business.

5.4 It should be noted that in each case it is the Data Centre that will be directly charged by IMSO and not the Contracting Governments to SOLAS or the Member States of IMSO in those capacities.

#### 5.5 Reporting and Oversight of Fee Levels

Information relating to the level of fee will be reported periodically to every regular session of the IMSO Assembly and included in the annual report the Organization will make to IMO. IMSO Member States and IMO will therefore have regular opportunities to comment on the appropriateness of the fees charged by IMSO.

## 6 **IMSO Charges for 2008 and 2009**

Taking into account the detailed advice he received from the Advisory Committee at its twenty-second session (8-10 July 2008) the Director has therefore decided:

### .1 **Fee for the Interim Authorisation of Data Centres**

The Fee for the Interim Authorisation of Data Centres is set at £2,500 for the calendar year 2008 and may be set at a similar level in 2009. This fee to be paid after perusal of the test results and before the Letter of Interim Authorisation is issued.

### .2 **Fees for Audit and Review of Data Centres**

As an interim solution for approximately the first two years, the fee for annual audit and review is established and apportioned as follows:

- (a) the level of fee will be set according to the formula:

$$\text{fee} = \text{total IMSO auditing costs} / \text{total number of units};$$

- (b) the number of units payable by any data centre will be in accordance with the following rule:

1. if flags < X and vessels < Y => DC fee = 1x unit
2. if flags < X and vessels > Y => DC fee = 1x unit
3. if flags > X and vessels < Y => DC fee = 1x unit
4. if flags > X and vessels > Y => DC fee = 5x unit

where:

X = number of flags per DC

Y = number of vessels per DC

- (c) for the time being, the value of X should be set at 10 flags and the value of Y at 1000 ships.
- (d) On this basis, and taking into account the illustrative LRIT budget for 2009 agreed by the Advisory Committee, the following indicative fees would be payable in 2009:

Type of DC	Number of DCs	Units	Total Units	Fee X 1000
1	25	1	25	£10.16
2	5	1	5	£10.16
3	3	1	3	£10.16
4	1	5	5	£50.79
			38	
		Budget	£386.0	
		per unit	£10.2	

The Director will calculate the actual fee level for 2009 once the number of Data Centres liable for audit and review during that year is accurately known.

- (e) This meets the request of the Advisory Committee at its twentieth session that the Director should develop a model that "... *should be simple, predictable, easy to understand, fair, equitable, at no risk to IMSO, and internationally acceptable.*" It offers fairness and transparency for all Data Centres, including those that provide services for more than one flag or those dealing with a very small number of ships.
- (f) This is an interim decision in order to provide clarity to MSC 85 and to remain in use for approximately two years, until the number of data centres, participating ships and volumes of traffic are known more accurately, and the quantity of effort required from IMSO can also be known more accurately. The Advisory Committee will keep the formula under review.

### **.3 Fees for Audit of the Interim International Data Exchange**

The Director will negotiate a fee for auditing the performance and fee structure of the International LRIT Data Exchange with the operator of the interim LRIT Data Exchange. The Interim International Data Exchange does not charge for the services it provides, and the Interim IDE Audit Fee will be set annually to reflect only the expected effort in auditing the IDE plus a figure to cover travel and other direct expenses. It is therefore intended that the Audit/Review Fee shall be based on a daily "Per Diem" fee basis for the interim IDE. A further decision, taking account of the degree of commercial enterprise in the permanent IDE should be taken when the permanent IDE is established.

### **.4 Daily "Per Diem" Fees for Special Contracts**

To establish the Daily Fee for 2008 at £1,400 and an indicative level for 2009 of £1,600;

### **.5 Fees for Review of the Performance Application Service Providers**

The Performance Standard requires IMSO to review the performance of ASPs (or CSPs when they act as ASPs) providing services to the International LRIT Data Centre (IDC). IMO has not decided to establish an IDC at this time and so there is no requirement to establish a charge for reviewing ASPs for the time being. The Director will keep this situation under review and bring forward a proposal for consideration by the Advisory Committee at the appropriate time.

## **7 Terms of Business**

7.1 Terms of Business will be established, and included in the LRIT Service Agreement signed with IMSO by each participating ASP, Data Centre and the International Data Exchange. Because IMSO does not receive significant funding for its LRIT business from any other source, the Terms of Business will be designed to ensure, *inter alia*, that payment is received by IMSO in stages as the audit and review services are provided by the Organization.

7.2 The Director will keep the Terms of Business under review, in consultation with the Advisory Committee. These Terms of Business will be annexed to and form an integral part of the LRIT Service Agreement.

7.3 Having received advice on this issue from the Advisory Committee, the Director has decided that the Terms of Business will include at least the following provisions:

- .1 Payment of all invoiced sums will be required to be cleared into the Organization's account within 30 days of the date of Invoice;
- .2 Any sums not cleared into IMSO's account within 30 days of the date of invoice will attract interest at the rate of current Bank of England Base Rate + 5% on all sums outstanding from that day until payment is received;
- .3 No further Credit will be extended to any Data Centre or Application Service Provider;
- .4 The Organization will accept payment only in Pounds Sterling, with all exchange costs being paid by the payee;
- .5 The Fee will cover the provision of oversight and audit services for the year, from the actual date of the audit to which the fee relates, until the date of the next annual audit;
- .6 The Annual Audit and Review Fee will be payable in stages, according to a schedule to be agreed by the Advisory Committee, as follows:
  - .1 First Stage Payment - 25% on submission of the data to IMSO for audit and review;
  - .2 Second Stage Payment - 50% on submission by IMSO of the draft audit report to the Data Centre or ASP concerned; and
  - .3 Final Stage Payment - 25% on finalisation of the report.

All payments must have been received by IMSO before submission of the Final Audit Report to the Maritime Safety Committee and Data Centre or ASP concerned.

- .7 Any Data Centre or ASP that fails to perform in accordance with the requirements of IMO as expressed through the Service Agreement with IMSO, or remains in default of payment beyond the due payment date, will be brought to the attention of the MSC, which will decide on any action to be taken. IMSO will not submit an audit report to IMO for any Data Centre that remains in debt to the Organization, until the debt has been settled in full. This procedure will be given legal force through the LRIT Service Agreement between IMSO and the Data Centre or ASP.

- .8 All travel undertaken on request will be charged at cost.

## 8 Risk Control

8.1 The charging policies and basic fee structure described above are grounded directly on the agreed budget for the Organization in any year; they therefore reflect precisely the financial needs of the Organization in relation to LRIT. The Advisory Committee, at its twenty second session, advised the Director to continue to take all possible measures to mitigate any shortfall between expected funds and the cost of work planned to be undertaken during 2008 in response to the stated expectations of IMO. Whilst it is never possible to eliminate every potential risk in any business proposition, the fee structure has been designed to avoid a number of identifiable potential risks to the Organization and its Member States. In particular by:

- .1 insisting on payment in stages as services are delivered, it reduces to an acceptably low level the risk that IMSO Member States might have to provide funding to rescue the Organization from financial difficulty;
- .2 establishing the actual fees before the beginning of each year, it provides certainty to the Organization in planning its expenditure during the following twelve months, and to the Data Centres, International Data Exchange and ASPs in their own business planning processes; and
- .3 allowing for a review of the amount of retained profit during the budget-setting process, it provides a mechanism to control price levels and the unacceptable accumulation of profit by IMSO.

8.2 Measures will also be taken to limit the Organization's exposure to risks arising from the costs of monetary exchange and fluctuations in exchange rates. Such measures will include limiting the currencies in which payment is accepted. Instead, these risks will be carried by the Data Centres and Data Exchange.

8.3 In addition, the proposed fee structure is designed to protect the Organization from wide variations in the volume of traffic (number of reports) and from any risk that ship reports may be received into the system but not sold to any end user State. These risks will also be carried by the Data Centres and Data Exchange.

## 9 Revenue Expectations

9.1 The Director has estimated the number of Data Centres that will be in the system, and liable to pay annual Fees for Audit and Review, in each of the early years of the LRIT system. The Director has undertaken a study, based on Contracting Government responses to an IMO questionnaire (MSC 84/WP.9) and further information obtained from a number of alternative sources, and estimates for planning purposes that there will be 20 Data Centres joining the LRIT system during 2008, with a further 20 during 2009. These Data Centres will become liable for audit and review approximately 12 months after being integrated into the system.

9.2 On the basis of these estimates, there will be 20 Data Centres that become liable for audit and review during the final quarter of 2009 and a total of 40 Data

Centres liable for audit and review during 2010 and beyond. It is not expected that the total number of Data Centres will grow much beyond this level in subsequent years and, indeed, there may be some consolidation in the number of Data Centres as the commercial viability of LRIT operations becomes more apparent beyond 2010.

9.3 In 2008, the LRIT budget relies on continuing capital contributions from member governments. The total agreed LRIT budget of £176,158 for the second half of 2008 is not fully funded. This business plan foresees LRIT-related revenue being generated only by fees for the interim authorisation of Data Centres during the period until 31 December 2008. There may be no more than 15 such Data Centres liable to pay these fees during 2008 and this would give rise to an income of £37,500.

9.4 Whatever the actual number of Data Centres will prove to be in fact, the formula given in 6.2 above provides for the recovery of the entire agreed LRIT budget through fees for the audit and review of Data Centres in 2009.

9.5 It must be assumed that there will not be any voluntary contributions beyond the year 2010, so that the entire IMSO LRIT budget will need to be recovered from Audit/Review fees from 2011 onwards.

9.6 Any fees received for "one-off" advisory contracts and the fee arising from review of the interim International Data Exchange will be applied firstly to offset any shortfall in LRIT income during the year concerned and secondly, if there is any surplus, it will be set against the budget requirement for the following year, so as keep costs to a minimum and ensure that surpluses do not accumulate.

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