

AGREEMENT ON THE INTERNATIONAL DOLPHIN CONSERVATION PROGRAM

31ST MEETING OF THE PARTIES

GUAYAQUIL, ECUADOR
23 JUNE 2015

DOCUMENT MOP-31-06

AIDCP BUDGET

1. BACKGROUND

The [Agreement on the International Dolphin Conservation Program](#) (AIDCP) is a legally-binding multi-lateral agreement that entered into force in February 1999. Pursuant to Article XIV of the AIDCP, the IATTC provides the Secretariat for the Agreement and performs certain other functions, which was confirmed through IATTC resolutions [C-98-01](#) and [C-09-04](#). This document describes how, as Secretariat for the AIDCP, the IATTC accounts for the AIDCP program funds. It also explains the status of the cumulative deficit as of 31 December 2014, and recalls a previously identified option to better correlate the relationship between the approved AIDCP budget expenditures and income.

2. PROGRAM EXPENDITURES

AIDCP expenditures can be grouped into two general classifications: costs related to the On-board Observer Program, and costs associated with other functions under the Agreement. The IATTC contributes an annual amount equivalent to 30% of the observer program costs, since this is the level of coverage that the IATTC had in place on large¹ purse-seine vessels to monitor the dolphin fishery prior to the AIDCP.

Table 1 illustrates AIDCP expenses from 2010 to 2014, broken down by the two expenditure types (*On-board observer costs* (A) and *Other costs* (B)). Consistent with the IATTC coverage of the purse-seine fleet prior to implementation of the AIDCP Observer Program, the IATTC funds 30% of the former and none of the latter. On-board observer costs are further broken down into salaries, benefits, travel, training, etc. and include a portion of the costs associated with IATTC headquarters staff and field offices, which fulfil critical functions in providing information to the AIDCP Parties.

TABLE 1. Expenses, 2010-2014

	2010 MOP-24-06	2011 MOP-25-06	2012 MOP-27-06	2013 MOP-29-06	2014 MOP-31-06
EXPENSES					
A. ON-BOARD OBSERVER COSTS²					
Direct costs:					
Observer compensation and benefits	1,128,276	1,101,758	1,138,921	1,156,285	1,390,139
Observer travel	68,096	80,292	74,976	94,658	80,203
Supplies and equipment	13,220	14,243	10,347	16,077	12,337
Training	471	4,152	7,910	6,040	21,025
Subtotal	1,210,063	1,200,445	1,232,154	1,273,060	1,503,704
Indirect costs:					
IATTC HQ staff: scientific/technical	796,352	759,560	730,769	769,408	772,713
IATTC field offices	312,609	326,329	317,440	326,430	337,391
Total On-Board observer costs	2,319,024	2,286,334	2,280,363	2,368,897	2,613,808

¹ Carrying capacity greater than 363 metric tons (t); IATTC Class 6.

² Covered 30% by IATTC, 70% by vessel assessments

	2010 MOP-24-06	2011 MOP-25-06	2012 MOP-27-06	2013 MOP-29-06	2014 MOP-31-06
B. OTHER COSTS³					
Captain seminars	273	-	-	-	
IATTC HQ staff: administrative	390,058	310,243	297,251	323,354	314,848
AIDCP meetings	25,450	55,141	74,304	12,170	17,456
Other AIDCP direct costs	2,386	9,956	3,300	9,686	5,409
Total Other costs	418,167	375,340	374,855	345,210	337,713
Total AIDCP Program costs	2,737,191	2,661,674	2,655,218	2,714,107	2,951,521
Annual surplus / (deficit)	(153,258)	(48,940)	(24,177)	3,931	(36,121)

A. ON-BOARD OBSERVER COSTS

Direct Costs

Observer compensation and benefits includes all wages, bonuses, insurance, and related obligatory employment costs. The increase in observer salary implemented in 2014 appears to have improved observer retention somewhat, but observer shortages persist in some locations. In an effort to create and maintain adequate pools of observers, the Secretariat plans to monitor and review observer salaries and implement salary increases, as needed, following notification to the Parties. At this time the Secretariat plans to again evaluate observer salaries in 2016 for another increase in 2017.

Observer travel includes transportation and meals while observers are on duty status. Observer travel costs within the last five years have fluctuated greatly; they peaked in 2013 when a great number of observers were required to travel to distant ports to join their assigned vessels due to the unavailability of local observers. In 2014 these costs began to decline, notwithstanding the mid-year additions of several vessels leaving ports where the IATTC does not currently have local observers; thus maintaining travel costs slightly elevated. It should be noted that these costs may show a larger increase in the 2015 program year, when the entire year of costs for this fleet is reflected.

Observer supplies and equipment include data forms, equipment, and related equipment maintenance. Should the Parties decide to implement a pilot program to provide electronic equipment to observers, proper funding should be added to support both initial purchase and implementation measures, to include software development, database design and training, and ongoing equipment maintenance.

Observer training costs vary from year to year, depending on the number and location of training courses needed. The cost of the courses depends on the venue, travel costs for instructors, training materials, and room and board for both participants and instructors. In some instances, additional training courses had to be scheduled that were not budgeted for..

Indirect Costs

IATTC HQ scientific/technical staff monitor observer placements, gather, process, and analyze observer data, and prepare reports for the Parties based upon the information that is compiled; they also guide **IATTC field office** personnel in proper execution of policies, procedures, and resolutions established by the Parties. Because the HQ scientific/technical staff costs along with the field offices are directly related to the on-board observer program, they are partially subsidized by the IATTC.

B. OTHER COSTS

Several IATTC staff members support the AIDCP in varying capacities other than providing scientific / technical assistance. The **IATTC HQ administrative staff** oversees the entire AIDCP program, and is thus a direct cost, 100% chargeable to the AIDCP. **Table 2** shows the relative percentage of the staff's time allocated to AIDCP-related work.

³ Covered 100% by AIDCP

TABLE 2. Allocation of IATTC headquarters staff time to AIDCP

Scientific/technical	% allocation	Administrative	% allocation
Head of program	79	Director	20
Data entry	50	Policy advisor	35
Data entry	50	Information technology support	20
Program oversight	50	Information technology support	20
Data entry	80	Website support	20
Data analysis	9	Policy advisor	35
Data editor	80	Tuna tracking database	11
Data editor	80	Database support	20
Data analysis and reporting	9	Translation	20
Data entry	50		
Compliance and data analysis	80		
Program policy	79		

Fishing captain training seminars, AIDCP meetings held in the fall, and **other AIDCP direct costs** such as bank fees, postage, printing and reproduction also support the AIDCP program directly and are therefore included as expenditures 100% chargeable to the AIDCP. As elaborated in previous budget documents, only the fall meetings are included in this grouping, as the summer meetings coincide with the IATTC annual meetings, which are sponsored by the hosting Member.

3. PROGRAM INCOMES

1. Assessments paid by all Class-6 vessels on the [list of active vessels](#) of the IATTC [Regional Vessel Register](#), along with the fees paid by U.S. vessels exercising their option to enter the EPO for one 90-day fishing trip. The current rate of US\$ 14.95 per cubic meter (m³) of fish-well volume has remained unchanged since 2006, in spite of growing deficits, an average annual U.S. inflation rate of 2%, and repeated requests by the Secretariat for an increase.
2. The IATTC general budget, which covers 30% of observer program costs (**Table 1**, Section A)
3. Assessments paid by sunk and inactive Class-6 vessels, at a rate of US\$ 1.00/m³.
4. Surcharges incurred by vessels that fail to pay their assessments by the established deadline.

In 2014, the operational deficit of US\$ 36,121 reflected in **Table 1** was offset by a number of extraordinary receipts. These include US\$ 169,273 from the deficit recovery efforts through an extraordinary assessment, US\$ 64,945 in small vessel fees, collection of AIDCP cost reimbursements from vessels operating west of the 150°W meridian in the amount of US\$ 116,190, and collection of prior year assessments of US\$ 4,986 (vessel 14689), for a total of US\$ 355,394, resulting in a surplus of US\$ 319,273 for the year ended 31 December 2014 which, after applying to the cumulative deficit of US\$ 27,560 at 31 December 2013, leaves a cumulative surplus of US\$ 291,713.

However, this circumstance should be viewed with caution and within the proper context. The fact remains that the AIDCP has consistently incurred an annual deficit for a number of years in which the vessel assessment rate has not been increased in line with the recommendations of the Secretariat, and is reflected in **Table 1**. These deficits would have been even larger without Secretariat efforts to trim costs and cut back program activities to reduce the gap between the budgets approved by the Parties and the revenue generated by the assessment rate. The AIDCP had accumulated a significant deficit that was only resolved by the approval of the Parties of extraordinary assessments over two consecutive years, reducing the cumulative deficit to \$27,560 as of 31 December 2013. As shown in **Table 4**, there was again a deficit of \$36,121 as of 31 December 2014 before the extraordinary income of US\$ 355,394 was taken into account, and the Secretariat notes that this deficit could have been much higher if not for the fact that a number of vessels paid full assessments to enter the fishery late in 2014 and did very little fishing. Had

these vessels been active throughout 2014 and made the typical number of trips, the deficit would have been much higher. The Secretariat estimates that the deficit between income and expenditures will be \$75,350 at 31 December 2015, but a number of factors could drive that number higher. The Secretariat believes that it is not prudent or realistic to rely on extraordinary income and deficit recovery efforts in order to make up for deficits between the approved budget and assessment income, and accordingly maintains its request to increase the vessel assessment rate that has remained unchanged since 2006.

Table 3 reflects the current position of the AIDCP program fund.

TABLE 3.

	US\$
Cumulative deficit at 31 December 2013 ⁴	(27,560)
2014 deficit ⁵	(36,121)
Cumulative deficit subtotal	(63,681)
Deficit recovery	169,273
Extraordinary income from small vessels	64,945
Extraordinary income from AIDCP cost reimbursement	116,190
Prior year vessel assessment received	4,986
Surplus at 31 December 2014	291,713

As of 31 May 2015, twelve vessels⁶ currently on the Regional Vessel Register have outstanding assessments from 2012-2015 totaling US\$ 351,081, of which US\$ 236,594 pertains to the AIDCP Observer Program while the remaining US\$ 114,486 represents the national program portion. The vessels with outstanding balances are included within the 2016 recommended and 2017 projected revenue, which affects the program's ability to fulfill its financial obligations in future years if they do not pay the required assessment in a timely manner. The outstanding balance does not take into consideration vessel 7179, addressed at the previous meeting, which remains delinquent although it was removed from the Regional Register during the fall of 2014.

As mentioned above, although the extraordinary receipts from a variety of sources eliminated the deficit, the underlying problem persists: the vessel assessment rate has not been increased since 2006 and AIDCP revenue is significantly less than the annual AIDCP program expenditures. Therefore, taking into consideration 2016 expenditures and a normal inflation for all budget line items, the Secretariat maintains its request for a permanent increase of US\$ 2.66/m³ in the vessel assessment rate, from US\$ 14.95 to US\$ 17.61/m³.

Projecting future AIDCP budgetary needs and making allowances for unpaid assessments is difficult. Direct On-Board observer costs can fluctuate greatly depending upon the number of trips made, the length of trips made, the cost of travel, local observer availability, *etc.* Similarly, revenue can vary according to how much capacity is active in a given year, flag changes, repayment of outstanding balances from prior years, how many vessels become subject to late fees and full payment of all vessel assessments in a timely manner. For this reason, the Secretariat relies on prior year's fiscal results to forecast future needs.

Table 4 reflects the the financial implications in FYs 2016 and 2017 should the proposed increase not take place by taking into consideration the assessments for 2015 received to date of US\$ 2,170,872 and the approved IATTC contribution of US\$ 705,300, for a total of US\$ 2,876,172 in available program income. Comparing this amount to the 2014 actual expenditures of US\$ 2,951,521 results in an anticipated deficit of US\$ 75,350 for the year ended 31 December 2015. Utilizing the same assessment revenue estimate for 2016 and 2017, projected expenditures of US\$ 3,121,237 and US\$ 3,195,914,

⁴ Amount consistent with MOP-29-06 presented at the 29th Meeting of the Parties

⁵ Per [MOP-27-06](#).

⁶ Vessels 299, 3694, 3820, 3832, 3913, 7181, 9563, 12262, 14960, 14961, 15609, 15630.

respectively, and taking into consideration the current carryover of US\$ 291,713, the accumulated surplus will become a deficit of US\$ 79,778 by 31 December 2017. If nothing is done to address the situation, the cumulative deficit will again begin to increase. It should be noted that the projected IATTC contributions of 30% of on-board observer costs are estimates, and assume that the requested IATTC budget is fully funded.

TABLE 4.

	2014 Actual	2015	2016	2017
INCOME				
Vessel assessments	2,048,649	2,170,872	2,170,872	2,170,872
IATTC portion of observer program (30%)	784,143	705,300	829,642	849,624
Inactive and sunk vessels (@ US\$ 1.00/m ³)	7,603	-	-	-
Late fees	75,005	-	-	-
Total Income	2,915,400	2,876,172	3,000,514	3,020,496
EXPENSES				
A. OBSERVER PROGRAM⁷				
Direct costs:				
Observer compensation and benefits	1,390,139	1,390,139	1,492,131	1,547,134
Observer travel	80,203	80,203	110,500	112,710
Supplies and equipment	12,337	12,337	20,400	20,808
Training	21,025	21,025	15,000	15,300
Subtotal	1,503,704	1,503,704	1,638,031	1,695,952
Indirect costs:				
IATTC HQ staff: scientific/technical	772,713	772,713	790,844	792,796
IATTC field offices	337,391	337,391	336,600	343,332
Total observer program	2,613,808	2,613,808	2,765,475	2,832,080
B. OTHER COSTS⁸				
Captain's seminars	-	-	-	-
AIDCP meetings	17,456	17,456	22,500	25,000
Other AIDCP direct costs	5,409	5,409	9,956	9,686
IATTC HQ staff: administrative	314,848	314,848	323,307	329,148
Total other costs	337,713	337,713	355,763	363,834
Total AIDCP Program expenses	2,951,521	2,951,521	3,121,237	3,195,914
Surplus / (deficit)	(36,121)	(75,350)	(120,723)	(175,418)
2013 Cumulative deficit	(27,560)			
2014 Total extraordinary income	355,394			
Cumulative surplus / (deficit)	291,713	216,363	95,640	(79,778)

Table 5 compares the anticipated revenue from an increased vessel assessment rate of US\$ 17.61/m³ to the same level of expenditures resulting in positive cashflow. However, this scenario assumes that the Parties ensure that all of their active vessels pay their assessments in full, which has typically not been the case in recent years. As mentioned previously, there are currently twelve vessels on the active list that have not yet paid their 2015 assessments, and it is unknown whether these assessments will be paid in 2016 or 2017 or whether others might become delinquent in the future. The net effect of equivalent non-payments of approximately US\$ 237,000 in 2016 and 2017 would mean that, even at the increased rate of US\$ 17.61/m³, the program would continue to operate at a deficit. In other words, the projected surplus that might result in 2016 and 2017 from the increased rate would provide only a small cushion to account for uncertainty.

⁷ Covered 30% by IATTC, 70% by AIDCP

⁸ Covered 100% by AIDCP

TABLE 5.

	2016 Recommended	2017 Projected
INCOME		
Vessel assessments	2,436,077	2,436,077
IATTC portion of observer program (30%)	829,643	849,624
Inactive and sunk vessels (@ US\$ 1.00/m ³)		
Late fees		
Total	3,265,720	3,285,701
EXPENSES		
Total AIDCP Program expenses	3,121,237	3,195,914
Surplus / (deficit)	144,483	89,787

4. OPTIONS FOR ADDRESSING FUTURE DEFICITS IN THE AIDCP BUDGET

Responding to a request made by the Parties, in the 2014 AIDCP budget document ([MOP-29-06](#)), the Secretariat provided a brief analysis of options for avoiding future deficits in the AIDCP budget. Noting that an increase in the vessel assessment rate had been proposed on several occasions since 2006, but never approved, the Secretariat was asked to analyze other options for addressing the deficit. These include reducing observer coverage from 100%, increasing the IATTC contribution to the observer program from its current 30%, decreasing the percentage of trips covered by the IATTC observer program, integrating the AIDCP into the IATTC, and automatic increases or reductions of the vessel assessment rate.

The Parties showed the most interest in the idea of linking the rate of vessel assessments directly to the amount of the budget approved by the Parties each year. The general idea is that the annual vessel assessment rate be calculated based upon the amount necessary to cover the program approved budgeted expenditures. By implementing such an approach, the Parties would retain control of the vessel assessment rate, but indirectly, through the budget approval process. The advantage of this approach is that it would then automatically provide the funding needed to cover the work the Parties have authorized, and thus it would align well with the responsibilities and obligations of the Parties. If the approach resulted in a surplus or deficit in any given year, it would be accounted for in the following year's budget process. The Secretariat provided an example of how such a calculation might be made in document [MOP-30 INF-B](#).

The Parties expressed interest in considering this option further at future meetings, but did not take a decision to implement such a procedure at the 30th Meeting of the Parties. Thus, the Secretariat highlights it here for further consideration by the Parties.

5. CONCLUSION

The Secretariat requests that the Parties approve the proposed increase of the vessel assessment rate to US\$ 17.61/m³ providing for the requested budget for the 2016 program year in order to avoid future funding shortfalls and consider implementation of the option provided to enhance the future financial stability of the AIDCP.