

AGREEMENT ON THE INTERNATIONAL DOLPHIN CONSERVATION PROGRAM

29TH MEETING OF THE PARTIES

LIMA, PERU
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DOCUMENT MOP-29-06

AIDCP BUDGET

1. BACKGROUND

The [Agreement on the International Dolphin Conservation Program](#) (AIDCP) is a legally-binding multi-lateral agreement which 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, and this arrangement 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 program funds. It also explains the status of the cumulative AIDCP deficit as of 31 December 2013, and presents options for eliminating the deficit and enhancing future financial stability.

2. BUDGET COMPONENTS

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 and revenue during 2009-2013, broken down by the two expenditure types (*Observer program* and *Other costs*). The IATTC funds 30% of the former and none of the latter. Observer costs are further broken down into direct observer costs (salaries, benefits, travel, training, *etc.*) and a portion of the costs associated with maintaining field offices, which provide critical functions in obtaining information to the AIDCP, as well as the work of IATTC scientific/technical staff in support of the Agreement.

The category of **Direct costs, Observer compensation and benefits** includes all wages, bonuses, insurance, and related employer taxes. **Observer travel** includes airfare, meals and taxis while observers are on duty status. **Supplies and equipment** includes data forms, equipment, and related equipment maintenance. **Training** includes training materials and venue, and travel, room and board for participants, including IATTC instructors.

The costs of observer training can fluctuate considerably. In order to maintain an observer pool large enough to meet requests for observers in a timely manner, regular scheduled courses are held; however, if a shortage of observers arises and a training course must be scheduled on a short notice, the costs are then much higher.

Several IATTC staff members support the AIDCP in varying capacities. They 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 field office personnel in proper execution of policies, procedures, and resolutions established by the Parties. A portion of the personnel costs, based on the staff's estimate of the time dedicated to these functions, is incorporated into the budget as **IATTC HQ staff (scientific/technical or administrative)**, as is a portion of each field office's operating costs. Because the

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

HQ scientific/technical staff costs and the field office operating costs are directly related to the observer program, they are included in the first grouping of costs, which is partially covered by the IATTC, whereas the administrative staff oversees the entire AIDCP program, and is thus a direct cost, 100% chargeable to the AIDCP. The entry into force of the Antigua Convention in August 2010 resulted in some reorganization of staff assignments among the IATTC programs, and the net impact was a shift of some salary costs from the AIDCP to the IATTC. Table 2 shows the relative percentage of the staff's time allocated to AIDCP-related work.

TABLE 1. Expenses and income, 2009-2013

	2009 MOP-23-06	2010 MOP-24-06	2011 MOP-25-06	2012 MOP-27-06	2013 MOP-29-06
EXPENSES					
A. OBSERVER PROGRAM²					
Direct costs:					
Observer compensation and benefits	1,213,789	1,128,276	1,101,758	1,138,921	1,156,285
Observer travel	64,091	68,096	80,292	74,976	94,658
Supplies and equipment	8,045	13,220	14,243	10,347	16,077
Training	837	471	4,152	7,910	6,040
Subtotal	1,286,762	1,210,063	1,200,445	1,232,154	1,273,060
Indirect costs:					
IATTC HQ staff: scientific/technical	750,176	796,352	759,560	730,769	769,408
IATTC field offices	285,256	312,609	326,329	317,440	326,430
Total observer program	2,322,193	2,319,024	2,286,334	2,280,363	2,368,897
B. OTHER COSTS³					
Captain seminars	6,847	273	-	-	-
AIDCP meetings	26,725	25,450	55,141	74,304	12,170
Other AIDCP direct costs	9,886	2,386	9,956	3,300	9,686
IATTC HQ staff: administrative	328,380	390,058	310,243	297,251	323,354
Total other costs	371,838	418,167	375,340	374,855	345,210
Total AIDCP expenses	2,694,031	2,737,191	2,661,674	2,655,218	2,714,107
INCOME					
Vessel assessments (@ US\$ 14.95/m ³)	1,914,873	1,847,354	1,877,172	1,902,920	1,956,201
IATTC portion of observer program (30%)	696,658	695,707	685,900	684,109	710,669
Inactive and sunk vessels (@ US\$ 1.00/m ³)	4,012	6,371	8,792	6,433	5,673
Late fees	74,775	34,501	40,870	37,579	45,495
Total	2,690,318	2,583,933	2,612,734	2,631,041	2,718,038
Net surplus / (deficit)	(3,713)	(153,258)	(48,940)	(24,177)	3,931
Prior year vessel assessment received	-	-	85,323	143,087	5,793
Annual net surplus / (deficit)	(3,713)	(153,258)	(48,940)	(24,177)	9,724

Other AIDCP costs included in Table 1 are training seminars for fishing captains, meetings, and such other direct costs as postage, printing and reproduction, and bank fees. As elaborated in previous budget documents, only the meetings in October are included in this grouping, as the summer meetings coincide with the IATTC annual meetings, which are sponsored by the hosting Member.

Observer travel costs have increased over the last few years, due in part to shortages of observers in some ports, requiring observers to travel sometimes to distant ports to join their assigned vessel. These costs may diminish in the future if the recent increases in observer salaries and training result in higher observer retention rates.

² Covered 30% by IATTC, 70% by AIDCP

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		

3. SOURCES OF REVENUE

AIDCP income (Table 1) is derived from four sources:

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 2013, in addition to the operational surplus of US\$ 3,931, the Secretariat also received payment of an outstanding vessel assessment of US\$ 5,793 (vessel 14961). The resulting net surplus of US\$ 9,724 was applied to the cumulative deficit.

4. BUDGET DEFICIT

Except for 2005 and 2008, the AIDCP had annual deficits every year during 2002-2012 (Table 3).

In October 2012, the [26th Meeting of the Parties](#) agreed that all vessels, active and inactive, would make an extraordinary contribution, for 2013 only, of US\$ 1.00/m³, in order to reduce the reported cumulative deficit of over US\$ 700,000. However, a portion of the resulting revenue was retained by or returned to the national programs to offset their respective costs, so the net amount applied toward reducing the deficit was US\$ 161,733. Table 4 shows the reduction of the cumulative deficit that resulted from the 2013 surplus (US\$ 9,724), the 2013 extraordinary contribution (US\$ 161,733) and the payment of outstanding vessel assessments, as discussed in [MOP-25-06](#) (US\$ 85,323) and [MOP-27-06](#) (US\$ 143,087). Nonetheless, the

TABLE 3. Annual budget surplus/deficit, 2002-2012.

US\$	Surplus / (deficit)	Reference
2002	(221,640)	MOP-17-06
2003	(273,356)	
2004	(107,215)	
2005	146,762	
2006	(74,044)	
2007	(65,934)	MOP-19-06
2008	54,601	MOP-21-06
2009	(3,713)	MOP-23-06
2010	(153,258)	MOP-24-06
2011	(48,940)	MOP-25-06
2012	(24,176)	MOP-27-06
Total	(770,913)	

cumulative deficit remained substantial at US\$ 371,046.

In June 2013, the [27th Meeting of the Parties](#) approved an additional extraordinary assessment of US\$ 2.00/m³, to be applied to all purse-seine vessels ([Resolution A-13-01](#)). The US\$ 343,486 received during 2013 as a result of this extraordinary assessment reduced the accumulated deficit from US\$ 371,046 to US\$ 27,560 as of 31 December 2013. However, because the current vessel assessment rate will not provide adequate funds to cover the approved AIDCP budget for 2014, and an additional shortfall of US\$ 210,383 is anticipated, the cumulative deficit is expected to increase to US\$ 237,943 by the end of 2014.

TABLE 4.

	US\$
Cumulative deficit at 31 December 2012 ⁴	(770,913)
Vessel assessments from previous years ⁵	85,323
Vessel assessments from previous years ⁶	143,087
2013 surplus	9,724
Extraordinary assessment (US\$ 1.00/m ³) ⁷	161,733
Cumulative deficit subtotal	(371,046)
Extraordinary assessment (US\$ 2.00/m ³)	343,486
Deficit at 31 December 2013	(27,560)
Anticipated deficit for 2014 ⁸	(210,383)
Projected cumulative deficit 31 December 2014	(237,943)

As of 31 May 2014, four vessels⁹ have outstanding assessments from 2011-2014, totaling US\$ 315,469. If these are paid before the end of the year, the result would be a net surplus of US\$ 77,526, rather than a cumulative deficit of US\$ 237,943. Failing that, the AIDCP will continue to carry a substantial cumulative deficit that will need to be addressed by the Parties

Although the extraordinary assessments and the payment of some outstanding vessel assessments have greatly reduced the cumulative deficit through 2013, from US\$ 770,913 to US\$ 27,560, the underlying problem persists: the vessel assessment rate has not been increased since 2006 and AIDCP revenue is significantly less than AIDCP expenditures. Therefore, taking into consideration 2013 expenditures, a normal cost-of-living increase for all budget line items, and the anticipated deficit in 2014, the Secretariat maintains its recommendation for a permanent increase of US\$ 2.66/m³ in the vessel assessment rate, from US\$ 14.95 to US\$ 17.61/m³. Table 5 reflects the effect of this proposed increase on the projected budgets for the 2015-2018 period: it is projected to keep revenue in line with costs only through 2016.

Projecting future AIDCP budgetary needs is difficult. Costs, particularly those relating to the observer program, can fluctuate due to the number of trips, 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, and how many vessels become subject to late fees. Annual assessment revenue (not including extraordinary assessments) during 2009-2013 has fluctuated between US\$ 1,788,212 and US\$ 2,295,383, with an

⁴ Amount excludes extraordinary receipts from prior years received during 2012.

⁵ Assessments paid for vessels 481, 3028, 299, and 4084, outstanding from previous years, totaling US\$ 85,323 ([MOP-25-06](#)).

⁶ Assessments paid for vessels 7181, 3913, 3898, and 3856, outstanding from previous years, totaling US\$ 143,087 ([MOP-27-06](#)).

⁷ Temporary US\$ 1.00 increase to 2013 vessel assessments, shared with national programs.

⁸ Per [MOP-27-06](#).

⁹ Vessels 7179, 9563, 14960, 14689.

average of approximately US\$ 2,034,000. Using that number as the projected vessel assessment revenue during 2015-2018, and starting with the expected cumulative deficit at the end of 2014 of US\$ 237,943, Table 6 shows the projected cumulative deficit through 2018. If nothing is done to address the situation, the cumulative deficit will increase again, to approximately US\$ 372,000 by the end of 2015 and then to over US\$ 1,000,000 by the end of 2018.

TABLE 5.

US\$ 17.61/m ³	2014 Approved	2015 Recommended	2016 Requested	2017 Projected	2018 Projected
EXPENSES					
A. OBSERVER PROGRAM¹⁰					
Direct costs:					
Observer compensation and benefits	1,162,000	1,305,600	1,331,712	1,358,346	1,385,513
Observer travel	80,000	102,000	104,040	106,121	108,243
Supplies and equipment	14,000	20,400	20,808	21,224	21,649
Training	7,000	10,200	10,404	10,612	10,824
Subtotal	1,263,000	1,438,200	1,466,964	1,496,303	1,526,229
Indirect costs:					
IATTC HQ staff: scientific/technical	758,000	804,398	828,643	845,216	862,120
IATTC field offices	330,000	332,958	339,617	346,410	353,338
Total observer program	2,351,000	2,575,556	2,635,224	2,687,929	2,741,687
B. OTHER COSTS¹¹					
Captain's seminars	-	2,500	-	2,500	-
AIDCP meetings	55,000	20,000	22,500	25,000	27,500
Other AIDCP direct costs	11,000	9,956	9,686	9,880	10,078
IATTC HQ staff: administrative	306,000	336,562	344,246	351,131	358,154
Total other costs	372,000	369,018	376,432	388,511	395,731
Total AIDCP expenses	2,723,000	2,944,575	3,011,657	3,076,440	3,137,419
INCOME					
Vessel assessments (@ US\$ 17.61/m ³)	1,807,317	2,230,343	2,230,343	2,230,343	2,230,343
IATTC portion of observer program (30%)	705,300	772,667	790,567	806,379	822,506
Inactive and sunk vessels (@ US\$ 1.00/m ³)	-	4,074	4,074	4,074	4,074
Late fees	-	-	-	-	-
Total	2,512,617	3,007,084	3,024,984	3,040,796	3,056,923
Net annual surplus / (deficit)	(210,383)	62,509	13,328	(35,644)	(80,495)
Cumulative surplus / (deficit)	(237,943)	(175,434)	(162,106)	(197,750)	(278,245)

TABLE 6.

US\$ 14.95/m ³	2014 Approved	2015 Recommended	2016 Requested	2017 Proposed	2018 Proposed
EXPENSES					
Total AIDCP expenses	2,723,000	2,944,575	3,011,657	3,076,440	3,137,419
INCOME					
Vessel assessments (2009-2013 average)	1,807,317	2,034,000	2,034,000	2,034,000	2,034,000
IATTC portion of observer program (30%)	705,300	772,667	790,567	806,379	822,506
Inactive and sunk vessels (@ US\$ 1.00/m ³)	-	4,074	4,074	4,074	4,074
Late fees	-	-	-	-	-
Total	2,512,617	2,810,741	2,828,641	2,844,453	2,860,580
Net annual surplus / (deficit)	(210,383)	(133,834)	(183,016)	(231,987)	(276,839)
Cumulative surplus / (deficit)	(237,943)	(371,777)	(554,793)	(786,780)	(1,063,619)

¹⁰ Covered 30% by IATTC, 70% by AIDCP

¹¹ Covered 100% by AIDCP

5. OPTIONS FOR ADDRESSING THE BUDGET DEFICIT

Noting that an increase in the vessel assessment rate has 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. Each is discussed individually below, but several could be employed in combination to achieve the desired result.

5.1. Reducing the observer coverage rate

The AIDCP requires 100% observer coverage for all purse-seine vessels with carrying capacities greater than 363 t fishing in the Agreement Area, as those vessels are capable of setting on dolphins. This level of coverage was chosen in order to have an accurate accounting of dolphin mortalities in the fishery, by species and stock, and to foster absolute compliance with the operational requirements of the Agreement. It was also an integral part of the AIDCP dolphin safe labeling program, on the assumption that the markets of all Parties would be open to tuna caught under the AIDCP program. Circumstances have changed in the intervening years: the per-stock mortality limits established for the affected dolphin stocks have never been exceeded or even nearly exceeded, so an absolute accounting may no longer be necessary, and an extrapolation of the total mortality from a lower level of observer coverage should be sufficient. A coverage of 50% or less would provide sufficient data for AIDCP and IATTC scientific endeavors. Similarly, the goal of acceptance of the AIDCP label in all markets has not yet been realized. Most of the AIDCP program costs are driven by the observer program costs, making it clear that a reduction in the number of observed trips would result in an overall savings in the AIDCP budget, and could delay the immediate need to raise the vessel assessment rate. The savings could be substantial, depending on the level of coverage chosen, but the results are difficult to estimate because it is difficult to know how the IATTC might respond. IATTC currently pays for 30% of the observer program costs at 100% observer coverage levels, which means that they effectively pay for 30% observer coverage. If mandated observer coverage levels were reduced, the possibility that IATTC might adjust the terms of their contribution cannot be discounted.

A non-financial impact of this approach would be a loss of compliance information. 100% coverage provides captains with a heightened incentive to comply with all aspects of the Agreement, and we cannot predict how accurately vessels might self-report dolphin mortalities, but some level of data loss is inevitable.

The biggest obstacles to implementing this option are procedural and political. The requirement for 100% coverage is in Annex II of the Agreement, and as such can be amended only through a consensus decision of the Parties. The idea of reducing the level of coverage has been discussed at nearly every AIDCP meeting for the last five years, and it has been clear that no such consensus exists. The objections to this option were expressed in the strongest of terms, and there is thus, little reason to believe that this approach would solve the AIDCP budget challenges.

5.2. Increasing the IATTC contribution percentage to the observer program

The IATTC currently contributes 30% of the total observer program costs. When the the Commission initiated its own observer program in 1977, it determined that 30% observer coverage, as used by the US national observer program at the time, was the level needed for reliable estimates of per-stock dolphin mortality rates in the fishery and for the Commission's other scientific endeavors, and agreed to contribute to the AIDCP observer program at that level.

During 2009-2013, the observer program accounted for approximately 86% of the total AIDCP program costs, or about US\$ 2.3 million per year. Accordingly, the IATTC's annual contribution was approximately US\$ 700,000 over the same time period. Some Parties have expressed the opinion that this underestimates the true value of the observer program for the work of the IATTC, in terms of both the amount and quality of the data obtained and the monitoring and compliance services provided.

Using the projected 2015-2018 budgets as a reference point, a 10% increase in the percentage of the observer program costs paid by the IATTC (for a total of 40%) would raise the IATTC contribution by roughly US\$ 266,000 per year. The result would be a surplus in relation to the projected yearly budget needs through 2017, and the total surplus in those three years would be roughly equal to the projected cumulative deficit at the end of 2014 (US\$ 237,943). Beyond 2018, assuming that the budget continues to grow due to inflation and other factors, the revenue generated from an assessment rate of US\$ 14.95/m³ would again be insufficient to cover expenses. In other words, there is no single percent increase that will solve the budget problems indefinitely, assuming that the vessel assessment rate does not change and that the budget continues to grow.

The biggest obstacle to this option is that it requires consensus within the IATTC. While it might be acceptable to the AIDCP Parties, since it reduces their costs and avoids deficits, some IATTC Members consider that 30% is still a reasonable contribution rate for the value received, and are reluctant to change that arrangement in a manner that would increase their contributions to the Commission. Absent consensus within the IATTC to change the current arrangement, the AIDCP Parties are responsible for resolving the deficit with some option that is within their power to implement.

5.3. Reducing the percentage of trips covered by the IATTC observer program

Another option for reducing the AIDCP budget would be for the national observer programs to cover a greater proportion of the trips. Currently, the number of trips that can be covered by the national programs is limited: Annex II.2 of the AIDCP mandates that, “[a]t least 50 percent of the observers on the vessels of each Party shall be IATTC observers; the remainder may be from the Party’s national observer program, based on criteria set forth in this Annex as well as any other criteria established by the Meeting of the Parties.” If Annex II were amended to allow a greater percentage of trips to be covered by national programs, it would result in a corresponding reduction in AIDCP costs relating to the observer program, representing approximately 86% of the total AIDCP budget. However, the effectiveness of this approach in terms of cost savings to vessel owners or the Parties themselves depends heavily on the assumption that the national programs can provide observer services at a significantly cheaper rate than the IATTC program. It is not clear that this is the case, at least to the extent needed to offset the predicted shortfalls. A detailed analysis of this option would require information from national programs in terms of their overhead and cost per observer per day, which is not currently available.

Implementing this option would require amendment of Annex II by consensus of the Parties. Even if consensus is achieved, serious concerns remain as to whether this would result in net savings for vessel owners or governments.

5.4. Integrating the dolphin bycatch program into the IATTC

Under this option, the IATTC would assume financial responsibility for all AIDCP activities, with the exception of 70% of the direct observer-related costs and AIDCP direct costs (Table 1). The rationale for such a move is that under the Antigua Convention, dolphin bycatch and the scientific and administrative work related to the monitoring and regulation of the purse-seine fisheries in the Agreement Area are also legitimate responsibilities of the IATTC, which was not the case when the current financial arrangement, was devised.

Part of the rationale for the establishment of the AIDCP as a separate agreement was that some IATTC Members thought that the AIDCP’s research, conservation and management programs went beyond the scope of the 1949 Convention. However, the Antigua Convention clearly gives the Commission mandates for bycatch species and ecosystems of which tunas are a part. As such, it makes sense that the research, monitoring and management of marine mammals affected by the fisheries be addressed wholly within the IATTC, in a manner identical to all other bycatch issues.

What would remain to be financed by the AIDCP Parties would be 70% of the direct observer program costs. Such an arrangement would relieve much of the financial pressure arising from the AIDCP budget,

while sharing the other bycatch program-type costs more equitably among the IATTC Members in the same way that the costs for other bycatch-related issues are addressed- collectively by the Members of the Commission.

Pursuing this option would require consensus decisions by both the AIDCP and IATTC memberships. Article XIV.3 of the Antigua Convention states that, “[t]he Commission shall maintain separate accounts for the activities carried out under this Convention and under the IDCP. The services to be provided to the AIDCP and the corresponding estimated costs shall be specified in the Commission’s budget. The Director shall provide to the Meeting of the Parties to the AIDCP for its approval, and prior to the year in which the services are to be provided, estimates of services and their costs corresponding to the tasks to be carried out pursuant to that Agreement.” This would allow the AIDCP to relinquish some of its activities to the IATTC under the current mandates of the Antigua Convention; therefore reducing its indirect staffing costs.

5.5. Establishing a mechanism for automatic adjustments of the vessel assessment rate

There are a couple of options to explore under this heading. The first is to choose an economic indicator and then link the vessel assessment rate to that indicator. The second is to set the vessel assessment rate for a given year at a level sufficient to finance the budget approved for that year. Either of these approaches could be implemented by means of a resolution.

1. Linking assessment rate to an economic indicator. This approach would involve identifying and selecting an appropriate economic indicator, such as an inflation rate or cost-of-living index, and then adjust the vessel assessment rate each year, possibly at the time of the AIDCP budget proposal. Ideally, this would allow the assessment rate to keep pace with inflation or economic growth. The Parties could increase the rate further if circumstances warranted. The difficulty would lie in selecting an appropriate indicator. The economies of the various AIDCP Parties do not necessarily grow at the same rate, thus the linked indicator may not correspond to the economic realities of all countries. It is also possible that the U.S. economy, where most of the IATTC staff live and work, might exhibit different trends than those of the countries where the IATTC field offices and national observer programs are located.

2. Linking the assessment rate to the approved AIDCP budget. This approach would allow the Secretariat, following the approval of a budget by the Parties, to adjust the vessel assessment rate to a level that would produce the revenue needed to cover the approved budget, taking into account other sources of funding such as the IATTC’s contribution. 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.

5.6. Adopting periodic increases to the vessel assessment rate

This option represents to status quo whereby the Parties would continue to consider occasional adjustments to the vessel assessment rate, as proposed by the Secretariat, in response to the growth of the budget. Currently, the Secretariat proposes an increase of US\$ 2.66/m³. The effect on the projected budgets through 2018 of adopting this increase is shown in Table 5.

In theory, a periodic adjustment in the vessel assessment rate seems straightforward and sensible: choose a rate that will result in a small surplus in the first two years, followed by small deficits, until the rate is adjusted again to eliminate the deficits and start the cycle again. However, in practice, this has been difficult: the current rate of US\$ 14.95 was adopted in 2006 (Resolution [A-06-01](#)), and it has not changed despite recommendations by the Secretariat for an increase every year since. It should be noted that the current rate failed to generate adequate revenue for 2007 (deficit of US\$ 65,934) and every subsequent year with the exception of 2008. This circumstance has resulted in a cumulative deficit of US\$ 770,913

through 2012, and is projected to return the AIDCP to a cumulative budget deficit of US\$ 237,943 by the end of 2014.

6. CONCLUSION

The Secretariat recommends that the Parties approve the proposed increase of the vessel assessment rate to US\$ 17.61/m³, in order to address the current funding shortfall and that they also consider implementation of one of the above options to enhance the future financial stability of the AIDCP.