

**AGREEMENT ON THE INTERNATIONAL DOLPHIN CONSERVATION PROGRAM**

**37<sup>TH</sup> MEETING OF THE PARTIES**

**San Diego, California (USA)  
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**DOCUMENT MOP-37-01**

**AIDCP BUDGET**

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**1. BACKGROUND**

The [Agreement on the International Dolphin Conservation Program](#) (AIDCP) is a legally-binding multilateral agreement that entered into force in February 1999. The Inter-American Tropical Tuna Commission (IATTC) provides the Secretariat for the Agreement<sup>1</sup>, and performs certain other functions set forth in the Agreement, its Annexes, and other decisions taken by the Parties. In this document the IATTC staff, as Secretariat for the AIDCP, presents a summary accounting of AIDCP funds, a recommended AIDCP budget for 2019, the reasons for some significant increases in projected costs, and the vessel assessment rate necessary to fund the recommended budget.

The principal cost of the IDCP is the On-Board Observer Program, which accounts for approximately 90% of the AIDCP budget. The remainder covers the costs of meetings, administration, and certain other costs (**Figure 1**).

The AIDCP mandates 100% observer coverage of fishing trips by large purse-seine vessels<sup>2</sup> in the eastern Pacific Ocean (EPO), and stipulates that at least 50% of such trips be covered by the IATTC observer program. The IATTC program covers all trips made by vessels of Parties that have no national program (currently El Salvador, Peru, and the United States<sup>3</sup>), plus those trips not covered by national observer programs, of which there are currently seven (Colombia, Ecuador, the European Union, Mexico, Nicaragua, Panama, and Venezuela), all of which cover 50% of the trips by their respective fleets, except Ecuador, which covers 33.3%.

The cost of the IATTC observer program is divided between the AIDCP, which pays 70%, and the IATTC, which pays 30% (see Document [CAF-06-01](#)). The IATTC's 30% contribution, agreed at the inception of IATTC's Tuna-Dolphin Program in 1977, reflects the minimum level of observer coverage required for the data collected to be statistically reliable.

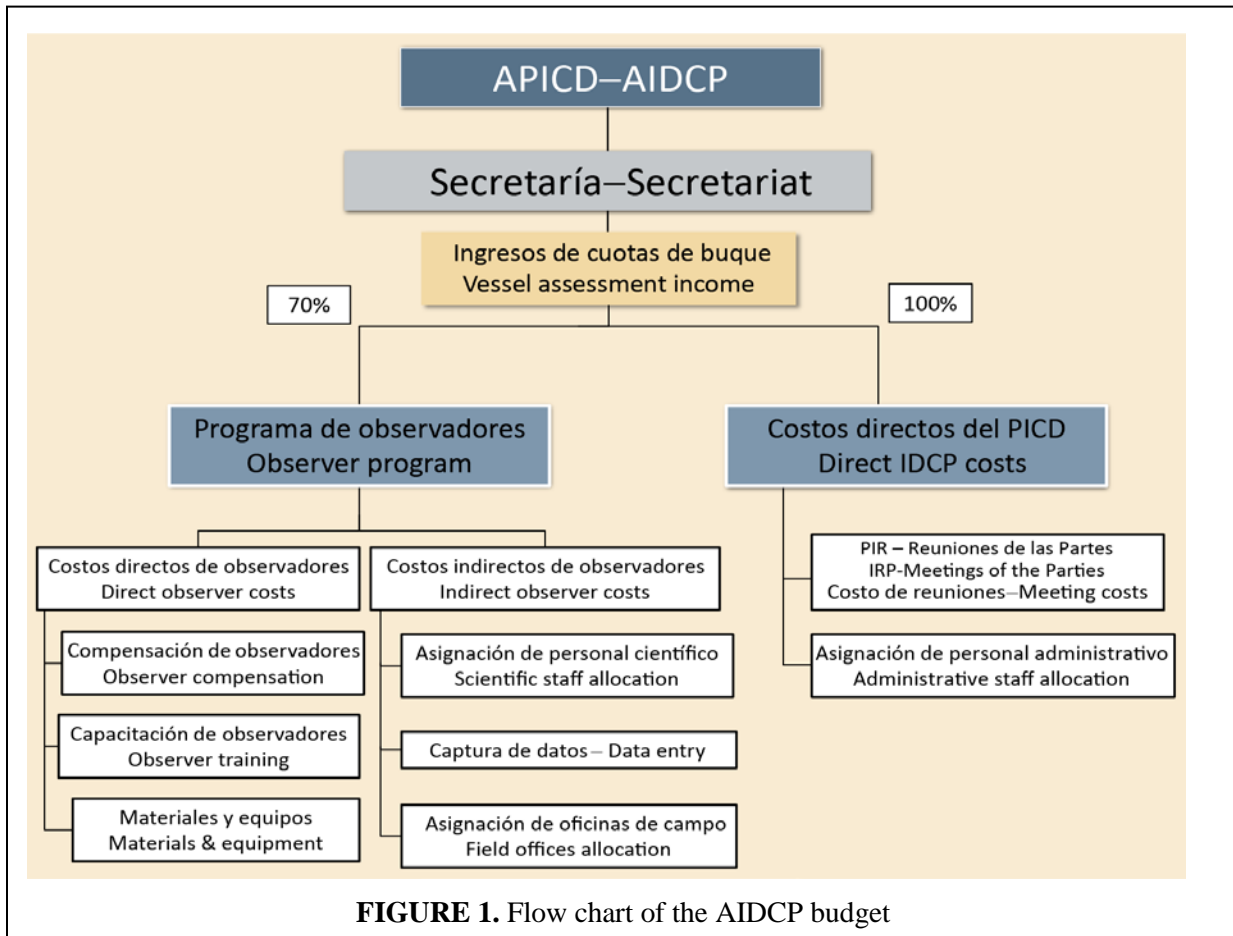
The Parties provide funding for the IDCP, primarily through the collection of vessel assessment fees. The

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<sup>1</sup> Pursuant to Article VII, paragraph 1(t), and Article XIV, paragraph 3, of the Antigua Convention

<sup>2</sup> Carrying capacity greater than 363 t (IATTC Class 6).

<sup>3</sup> Vessels fishing in the EPO but departing from ports in the WCPO are usually covered by cross-endorsed observers from the Western and Central Pacific Fisheries Commission Regional Observer Program (WCPFC), with which the IATTC has a Memorandum of Cooperation.



current vessel assessment rate is US\$ 14.95 per cubic meter (m<sup>3</sup>) of well volume. All assessment income is shared with the national observer programs that participate in the On-Board Observer Program in proportion to their rate of coverage for relevant trips, up to 50%.

## 2. STRUCTURE OF PROGRAM COSTS

As shown in **Figure 1**, AIDCP expenditures can be grouped into two general categories: costs related to the On-board Observer Program, and costs associated with other functions under the Agreement.

### A. ON-BOARD OBSERVER PROGRAM COSTS (70% covered by AIDCP budget)

#### Direct observer costs:

**Observer compensation and benefits** includes all wages, bonuses, and insurance. In an effort to create and maintain adequate pools of observers, the Secretariat continues to monitor and review observer compensation, recommending increases as needed. Observer compensation was last increased in 2014, and in the years immediately following observer retention rates improved. However, the Secretariat considers that it is necessary to increase observer pay rates again (see section 5.1.1), and this is reflected in the recommended 2019 budget.

**Observer travel costs** include transportation and meals while observers are on duty status. These costs 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.

**Observer supplies and equipment** include data forms, equipment such as binoculars, and related maintenance.

**Observer training** costs vary from year to year, depending on the number and location of training courses. Total expenses of a course depend on the venue and the cost of travel for instructors, training materials, and

room and board for both participants and instructors. Because the number of courses offered in any given year is a reflection of observer supply and demand, additional, unanticipated training and expenses may become necessary in some years. For example, one Party has asked the Secretariat to conduct a joint training course with staff from the Western and Central Pacific Fisheries Commission's (WCPFC) observer program, so that some IATTC observers can be cross-endorsed to cover trips by vessels departing from EPO ports that will also fish in the WCPFC Convention Area, which has been budgeted for in 2019.

**Indirect observer costs:**

**IATTC HQ scientific/technical staff** monitor observer placements, and gather, process, edit, and analyze observer data. They also prepare reports for the Parties based upon the information that is compiled; and guide **IATTC field office** personnel in proper execution of policies, procedures, and resolutions established by the Parties. Because the cost of these activities, both at headquarters and at field offices, are directly related to the On-board Observer Program, they are 30% funded by the IATTC. **Table 1a** shows the relative percentages of the scientific/technical staff's time allocated to AIDCP-related work in 2017.

<b>TABLE 1a.</b> Allocation of IATTC scientific/technical staff time to AIDCP-related activities, 2017			
	<b>% allocation</b>		<b>% allocation</b>
Head of program	79	Data editor	80
Data entry	50	Data editor	80
Data entry	50	Data analysis and reporting	9
Program oversight	50	Data entry	50
Data entry	80	Compliance and data analysis	80
Data analysis	9	Program policy	79

**B. DIRECT IDCP COSTS (100% covered by AIDCP budget)**

**IATTC HQ administrative staff** oversee the entire AIDCP program, and are thus a direct cost, 100% chargeable to the AIDCP. **Table 1b** shows the relative percentages of the administrative staff's time allocated to AIDCP-related work in 2017.

<b>TABLE 1b.</b> Allocation of IATTC headquarters staff time to AIDCP-related activities, 2017			
	<b>% allocation</b>		<b>% allocation</b>
Director	20	Policy advisor	35
Policy advisor	35	Tuna tracking database	11
Information technology support	20	Database support	20
Information technology support	20	Translation	20
Website support	20		

**The 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.

**3. PROGRAM EXPENDITURES, 2013-2017**

**Table 2** illustrates AIDCP expenses during 2013-2017, broken down by the two expenditure categories (*On-board observer costs (A)* and *Other costs (B)*).

<b>TABLE 2. Expenses, 2013-2017 (US\$)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<a href="#">MOP-29-06</a>	<a href="#">MOP-31-06</a>	<a href="#">MOP-33-06</a>	<a href="#">MOP-35-06</a>	
<b>A. ON-BOARD OBSERVER COSTS<sup>4</sup></b>					
<b>Direct costs:</b>					
Observer compensation and benefits	1,156,285	1,390,139	1,501,287	1,599,099	1,584,717
Travel	94,658	80,203	73,479	56,718	74,516
Supplies and equipment	16,077	12,337	16,743	13,419	8,651
Training	6,040	21,025	19,609	17,034	4,453
<b>Subtotal</b>	<b>1,273,060</b>	<b>1,503,704</b>	<b>1,611,118</b>	<b>1,686,270</b>	<b>1,672,337</b>
<b>Indirect costs:</b>					
IATTC HQ staff: scientific/technical	769,407	772,713	667,170	697,012	687,504
IATTC field offices	326,430	337,391	364,243	360,011	377,179
<b>Total, on-board observer costs</b>	<b>2,368,897</b>	<b>2,613,808</b>	<b>2,642,531</b>	<b>2,743,292</b>	<b>2,737,020<sup>5</sup></b>
<b>B. OTHER COSTS<sup>6</sup></b>					
IATTC HQ staff: administrative	323,354	314,848	377,497	298,719	294,645
AIDCP meetings	12,170	17,456	14,805	9,309	48,787
Other AIDCP direct costs	9,686	5,409	1,829	5,903	3,441
<b>Total, Other costs</b>	<b>345,210</b>	<b>337,713</b>	<b>394,131</b>	<b>313,932</b>	<b>346,873</b>
<b>Total, AIDCP Program costs</b>	<b>2,714,107</b>	<b>2,951,521</b>	<b>3,036,662</b>	<b>3,057,224</b>	<b>3,083,893</b>

On-board observer costs are further broken down into **Direct costs** (observer compensation and benefits, travel, supplies and equipment, and training) and **Indirect costs** (IATTC headquarters staff and field office cost allocations, which provide administrative and operational support).

#### 4. PROGRAM INCOME, 2017

Table 3 summarizes AIDCP income in 2017.

<b>TABLE 3. AIDCP sources of income, 2017, in US\$</b>		<b>Actual</b>
1	Vessel assessments – Class 6 (US\$ 14.95/m <sup>3</sup> )	2,474,346
2	IATTC portion of observer program (30%)	821,106
3	Inactive and sunk vessels (US\$ 1.00/m <sup>3</sup> )	6,441
	<b>Total operational income</b>	<b>3,301,893</b>
	<b>Total AIDCP Program expenses</b>	<b>3,083,893</b>
	<b>Excess of revenue over expenses</b>	<b>218,000</b>
4	Other income	97,841
	<b>Surplus</b>	<b>315,841</b>

1. Assessments paid by all Class-6 vessels on the of the IATTC [Regional Vessel Register](#).
2. The IATTC general budget, which covers 30% of observer program costs.
3. Assessments paid by sunk and inactive Class-6 vessels.
4. Other income that cannot be readily budgeted for as it includes non-recurring items such as U.S. vessels exercising their option to enter the EPO for one 90-day fishing trip, surcharges incurred by vessels that fail to pay their assessments by the established deadline, prior year assessments, *etc.*

<sup>4</sup> Covered 30% by IATTC, 70% by vessel assessments

<sup>5</sup> 30% of this amount reflects the IATTC contribution

<sup>6</sup> Covered 100% by AIDCP

#### 4.1. Accumulated surplus

As shown in **Table 4**, the AIDCP accounts reflect an accumulated surplus of US\$ 1,754,153, as of 31 December 2017.

<b>TABLE 4. Status of AIDCP funds at 31 December 2017</b>		<b>US\$</b>
Surplus at 31 December 2016 <sup>7</sup>		<b>1,438,312</b>
2017 surplus		315,841
<b>Surplus at 31 December 2017</b>		<b>1,754,153</b>

This surplus should be viewed with caution and in context. The vessel assessment rate has not been increased for over a decade, and until recently the AIDCP operated at a significant deficit for several consecutive years. For example, as recently as 2013, the accumulated deficit reached US\$ 700,000. Those deficits would have been significantly larger without the Secretariat's efforts to trim costs and cut back program activities to bridge the gap between program costs and the operational income. Some of these measures included cancelling or postponing planned expenditures such as replacing or upgrading of equipment, cost-of-living increases for observer compensation, improved observer benefits, *etc.* Despite these efforts, the deficits persisted, and the Parties had to approve extraordinary assessments in 2013 and 2014 to cover the difference. Although the assessment rate has not changed, further deficits were avoided thanks to a combination of extraordinary factors, including payments of outstanding arrears and income from additional vessels whose assessments exceeded the corresponding expenses incurred by the observer program.

The Secretariat proposes that the surplus (**Table 4**) be used to fund a survey of the dolphin stocks in the EPO (see Document MOP-37-02, *Design of a survey for eastern tropical Pacific dolphin stocks*).

#### 4.2. Outstanding vessel assessments

As shown in **Table 5**, as of 31 May 2018, six vessels currently on the Regional Vessel Register have outstanding assessments from 2012-2018 totaling US\$ 352,328, of which US\$ 206,093 pertains to the IATTC observer program, with the remainder (US\$ 146,235) due to the two national programs (US\$ 18,663 and US\$ 127,572, respectively). While not insignificant, the total amount of outstanding arrears is much lower than in recent years.

<b>TABLE 5. Vessels with assessments outstanding, as of 31 May 2018<sup>8</sup></b>				
<b>Vessel</b>			<b>Arrears</b>	
<b>Flag</b>	<b>No.</b>	<b>Name</b>	<b>Years</b>	<b>US\$</b>
ECU	16322	<i>Lizanny Z</i>	2017-2018	17,400
ECU	4009	<i>Martina C</i>	2017-2018	44,250
VEN	14960	<i>Albamar</i>	2012-2018	122,009
VEN	3607	<i>Caroni II</i>	2017-2018	4,216
VEN	15630	<i>Rocinante</i>	2014-2018	64,983
VEN	9563	<i>Tunapuy</i>	2012-2018	99,470
<b>Total</b>			US\$ 352,328	

### 5. RECOMMENDED BUDGET, 2019

Projecting future AIDCP budgetary needs and making allowances for unpaid assessments requires the Secretariat to rely on the previous year's fiscal results to forecast future needs; however, direct on-board observer costs can fluctuate greatly depending on the number and duration 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, or because of vessels changing flag, paying outstanding assessments from prior years, incurring

<sup>7</sup> See Document [MOP-35-06](#), Table 5.

<sup>8</sup> Payments made subsequent to 31 May will be presented at the Meeting of the Parties.

late fees, or paying their assessments in full in a timely manner.

**Table 6** presents actual costs for the 2017 fiscal year, the Secretariat's best estimate of anticipated income and expenditures in 2018, based upon historical data, and the 2019 recommended budget.

<b>TABLE 6. 2017-2019 budgets (US\$)</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<b>Actual</b>	<b>Forecast<sup>9</sup></b>	<b>Recommended</b>
<b>ON-BOARD OBSERVER INCOME</b>			
Vessel assessments - Class 6	2,474,306	2,381,505	2,731,097
IATTC portion of observer program (30%)	821,106	844,745	1,008,029
Inactive and sunk vessel assessments	6,441	4,272	4,272
<b>TOTAL OPERATIONAL INCOME</b>	<b>3,301,893</b>	<b>3,230,522</b>	<b>3,743,398</b>
<b>A. ON-BOARD OBSERVER COSTS</b>			
<b>Direct costs:</b>			
Observer compensation and benefits	1,584,717	1,600,000	1,980,347*
Observer travel	74,516	90,000	90,000
Observer supplies and equipment	8,651	10,000	142,750*
Observer training	4,453	25,000	42,000*
<b>Subtotal</b>	<b>1,672,337</b>	<b>1,725,000</b>	<b>2,255,097</b>
<b>Indirect costs:</b>			
IATTC HQ staff: scientific/technical	687,504	710,818	715,000
IATTC field offices	377,179	380,000	390,000
<b>Total, On-board observer costs</b>	<b>2,737,020</b>	<b>2,815,818</b>	<b>3,360,098</b>
<b>B. OTHER COSTS</b>			
IATTC HQ staff: administrative	294,645	316,236	321,300
AIDCP meetings	48,787	55,000	55,000
Other AIDCP direct costs	3,441	5,000	7,000
<b>Total, Other costs</b>	<b>346,873</b>	<b>376,236</b>	<b>383,300</b>
<b>TOTAL AIDCP PROGRAM COSTS</b>	<b>3,083,893</b>	<b>3,192,054</b>	<b>3,743,398</b>
Excess of revenue over expenditures	218,000	38,468	-
Other income	97,841	64,607	-
<b>Surplus</b>	<b>315,841</b>	<b>103,075</b>	<b>-</b>

\* Additional explanations for budget lines with significant increases are provided below in Sections 5.1.1-5.1.3

## 5.1. Explanation of significant increases for select categories

Three items in the recommended 2019 budget (highlighted in **Table 6**) reflect significant increases from the current year. The reasons for these increases, which all fall under on-board observer costs, are explained in detail below.

### 5.1.1. Observer compensation and benefits: increase of observer pay rates

The success of the IATTC observer program relies upon the Secretariat's ability to maintain a pool of observers with an appropriate level of education and training, so that they can perform their duties successfully and collect high-quality data. A fundamental requirement for AIDCP observers is a university degree in biology. In order to attract and maintain an adequate number of qualified observers, the program must offer competitive salaries, taking into account the time away from home and the working conditions

<sup>9</sup> Based upon activity through 31 May 2018.

that are part of the job.

Observer daily pay rates were last increased in 2014 from a range of US\$ 39-45 to US\$ 48-55 in order to address low retention rates. Even with that raise, experienced IATTC observers were still earning less than their counterparts in the WCPFC observer program, even though they are required to have a higher level of education. This situation was recognized in 2016 by the [33<sup>rd</sup> Meeting of the Parties](#), which noted “*the urgent need to offer fair, competitive salaries to observers in order to have an observer pool large enough to meet the demand, retain experienced observers, and to reduce incentives for possible corruption*”.

The Secretariat believes this situation is again leading to a lack of interest among qualified biologists and high rates of attrition of trained observers. For example, in 2017, facing a shortage of observers in Panama, the Secretariat held a training course, with a goal of training at least nine new observers. Despite advertisements targeting recent college graduates and other historically responsive demographic groups, only seven people registered for the course, and several of those either failed to finish the course or refused additional placements after their first trip. A similar trend has been observed in Ecuador.

Observer shortages not only result in delayed departures for vessels, but also increase program costs, because observers need to travel from other areas to cover trips from ports where shortages occur, and additional training courses have to be held for new observers. The Secretariat therefore considers it necessary to again increase IATTC observer pay in order to remain competitive with other international observer programs in the region and other opportunities available for qualified individuals.

#### **5.1.1.a Comparison with WCPFC observer pay**

The WCPFC Regional Observer Programme, like the AIDCP On-Board Observer Program, is comprised of national and sub-regional programs. In 2015, when the IATTC pay rate was increased to US\$ 48-55, the rate for observers employed by the Pacific Islands Forum Fisheries Agency (FFA), a component of the WCPFC program, was already US\$ 45-65.

Currently, the top tier of the base pay rate for both FFA observers and those employed by the Parties to the Nauru Agreement (PNA) is US\$ 75. However, on about 90% of trips, observers are also required to collect data for a Marine Stewardship Council (MSC) certification program, for which they receive an additional US\$ 10/day, and if they are collecting data for the South Pacific Community (SPC) program, they are paid an additional US\$ 5 per day, for a total daily rate of US\$ 85-90. By comparison, IATTC observers collect data for the AIDCP *dolphin-safe* label and other labelling schemes without any additional compensation. In June 2018, the PNA countries were considering a proposal to increase base observer salaries to US\$ 100, and the FFA is also considering an increase. These observers are sometimes placed on vessels that carry IATTC observers on other trips, and also serve as cross-endorsed observers on vessels fishing in both IATTC and WCPFC convention areas, and are therefore being paid significantly more for doing the same job.

#### **5.1.1.b Increases to be implemented**

Currently, working as an IATTC observer is not an attractive option for college graduates in Latin America. Not only does the pay compare unfavorably with other jobs requiring similar qualifications (an experienced observer who spends six to nine months per year at sea earns about US\$ 10,000-14,500, a bare subsistence-level income for a family), but observers have to spend long periods away from home and family, in sometimes difficult conditions, with no guarantee of continued employment and no benefits such as paid vacations. The Secretariat therefore considers that, to offset these disadvantages and attract and retain qualified professionals, the compensation for IATTC observers needs to be increased as follows:

Current and planned observer pay rates, in US\$/day			
Observer experience (days at sea)	Current (2015-2017)	2019	2021
0-200	48.00	55.00	65.00
> 200	55.00	65.00	75.00

Accordingly, the Secretariat intends to increase the IATTC observer pay range to US\$ 55-65 as of 1 January 2019. In 2017, IATTC observers were deployed for 25,369 days. Assuming a similar level of activity in 2019, an increase of US\$ 10 in daily pay would increase observer compensation costs by US\$ 253,690, or about US\$ 284,500 including taxes and social security. This is accounted for in the recommended budget for 2019. The Secretariat also proposes to increase IATTC observer pay by a further US\$ 10 in 2021, to US\$ 75, in order to improve the competitiveness of these positions.

### 5.1.2. Supplies and equipment: observer safety equipment and subscriptions

Since 2016, the Parties to the AIDCP and IATTC CPCs have been asked to consider supplying on-board observers with electronic safety devices (see Documents [IATTC-90 INF-C](#) and [MOP-36 INF-A](#); also proposals [MOP-33 A-1](#), [IATTC-92 H-1](#), [MOP-35 A-1](#), and [MOP-36 A-1](#)). The Secretariat recommends that two electronic devices be issued to observers for use at sea: a Personal Locator Beacon (PLB), which would transmit satellite-based GPS coordinates if an observer fell overboard, and a satellite-based two-way communication device, which would allow observers to contact their program office independently of the vessel's communication systems. Specifically, the Secretariat recommends *ResQ Link 406* PLBs, and *InReach SE+* communicators; the latter involve both an activation fee and monthly charges.

The United States has informally offered US\$ 75,000 towards the cost of purchasing this equipment for IATTC observers. The Secretariat considers that this equipment is important for observer safety, and accordingly has included the cost of these devices for all AIDCP observers, including national programs, in the recommended budget for 2019 (**Table 6**). **Table 7** shows the breakdown of these costs. The amount to be covered by the 2019 budget is about US\$ 132,750; the subsequent annual cost for the communication service would be about US\$ 60,000.

The average lifespan of these devices is five years; at current prices, annual replacement costs will therefore be about US\$ 28,300.

TABLE 7. Cost of purchase of safety devices and first year of operation (all AIDCP observers), in US\$			
Purchase			
Equipment type	No. of observers	Unit cost	Total
PLB ( <i>ResQ Link 406</i> )	250	242	60,500
2-way communication device ( <i>InReach SE+</i> )	250	324	81,000
Subtotal, equipment			141,500
Annual operating and replacement costs			
Equipment type	No. of observers	Activation	Operation
PLB ( <i>ResQ Link 406</i> )	250	0	0
2-way communication device ( <i>InReach SE+</i> )	250	25	240
Subtotal, operation first year (250 (25+240)) *			66,250
<b>Total, equipment+operation, first year</b>			<b>207,750</b>
United States contribution			(75,000)
<b>Financing needed in 2019 AIDCP budget</b>			<b>132,750</b>

\*Annual operating costs, subsequent years: US\$ 60,000

### 5.1.3. Observer training

As noted above, low observer pay rates have led to poor observer retention and difficulty in maintaining



adequate observer pools. Increasing the number of training courses in 2019 is necessary to address this problem; accordingly, this item has been increased by US\$ 17,000. This also includes the joint IATTC-WCPFC course requested by a Party (see section 2), to enable IATTC observers to be cross-endorsed to cover trips by vessels departing from EPO ports that will also fish in the WCPFC Convention Area.

#### **6. VESSEL ASSESSMENT RATE FOR FUNDING THE RECOMMENDED AIDCP BUDGET FOR 2019**

The first step in estimating the vessel assessment rate needed to fund the budget for a given year is to subtract from the recommended total the 30% of the observer program costs covered by the IATTC, thus arriving at the net amount to be funded by the Parties. Although this was not done in this instance, further adjustments could be made to account for surpluses or deficits from previous years. The resulting amount is then divided by the total well volume of those vessels anticipated to be active in that year, which is based on the Class-6 purse-seine vessels on the current Regional Vessel Register. The resulting vessel assessment rate would fund the program for that year, and should be approved in conjunction with the budget as presented. If the Parties choose to make adjustments to the budget before approving it, the corresponding assessment rate can be easily calculated by applying this procedure to the adjusted budget. In any case, the budget and the corresponding assessment rate should be adopted together, so as to avoid a disconnect between the approved budget and the revenue needed to fund it. **Table 8** shows this calculation for the recommended 2019 budget.

<b>TABLE 8. Vessel assessment rate to fund the AIDCP budget, 2019</b>	
Total 2019 recommended budget	US\$ 3,743,398
IATTC contribution (30%)	(US\$ 1,008,029)
Net budget requirement, 2019	<b>US\$ 2,735,369</b>
Anticipated well volume of AIDCP vessels active in 2019	165,000 m <sup>3</sup>
Corresponding vessel assessment rate	<b>US\$ 16.58 /m<sup>3</sup></b>

The vessel assessment rate needed to fund the AIDCP portion of the total recommended budget for 2019 of US\$ 2,735,369 is US\$ 16.58/m<sup>3</sup>.