

**AGREEMENT ON THE INTERNATIONAL DOLPHIN CONSERVATION PROGRAM**

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

Mexico City, Mexico  
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**DOCUMENT MOP-35-06 Corr.**

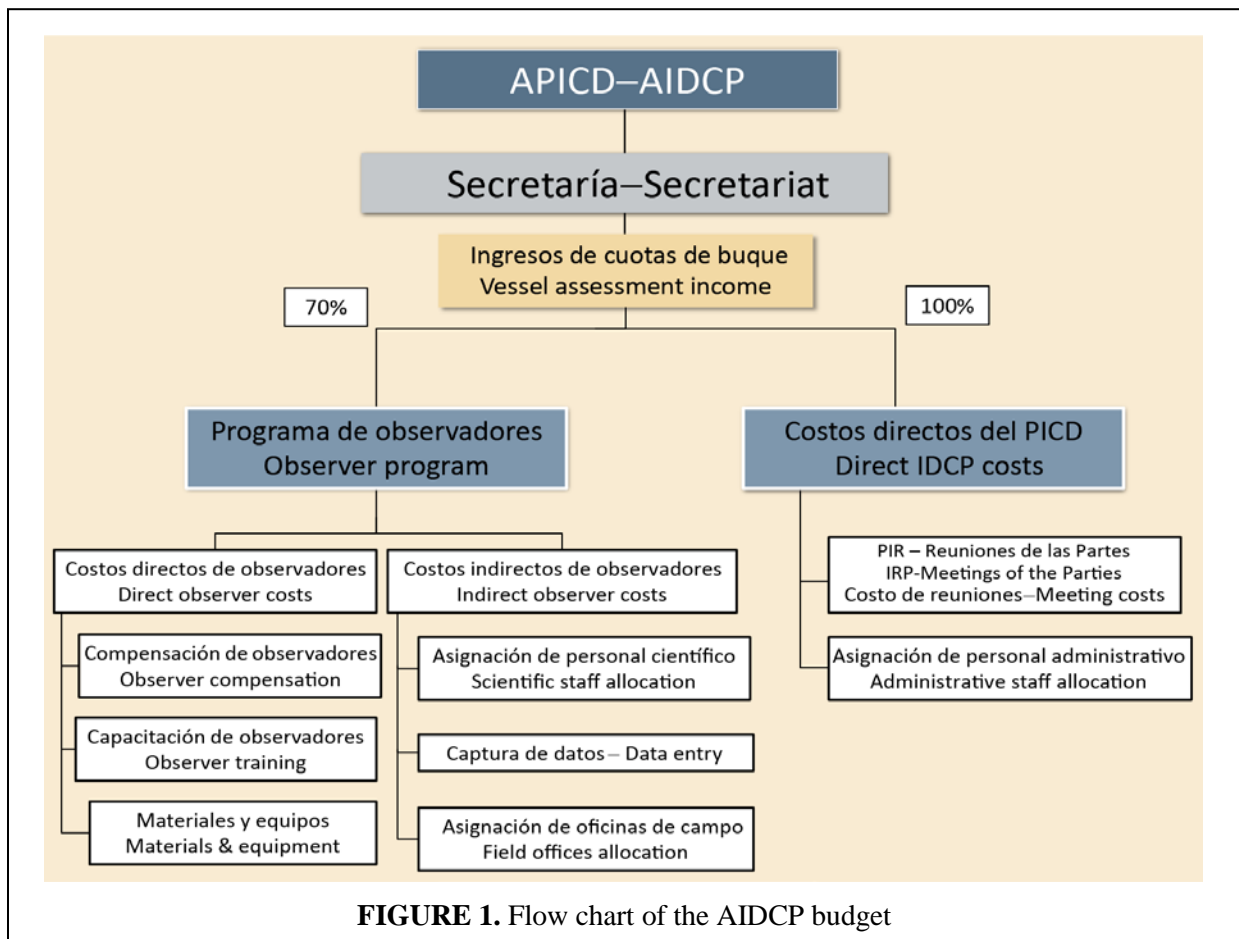
**AIDCP BUDGET**

**1. BACKGROUND**

The [Agreement on the International Dolphin Conservation Program](#) (AIDCP) is a legally-binding multilateral agreement that entered into force in February 1999. Pursuant to Article VII, paragraph 1(t), and Article XIV, paragraph 3, of the Antigua Convention, the Inter-American Tropical Tuna Commission (IATTC) provides the Secretariat for the Agreement and performs certain other functions. This document describes how, as Secretariat for the AIDCP, the IATTC staff accounts for the AIDCP funds.

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>1</sup> in the eastern



**FIGURE 1.** Flow chart of the AIDCP budget

<sup>1</sup> Carrying capacity greater than 363 t (IATTC Class 6).

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, Guatemala, Peru, and the United States<sup>2</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-04-04](#)). 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 budget is funded primarily by assessments paid by participating vessels, at a rate of US\$ 14.95 per cubic meter (m<sup>3</sup>) of well volume. All income is shared with the national programs according to their respective level of coverage.

## **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. The increase in observer compensation implemented in 2014 appears to have improved observer retention.

**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. As a result of increases in observer compensation and training courses, these costs have declined, increasing the number of observers available at the local level to better meet demand.

**Observer supplies and equipment** include data forms, equipment such as binoculars, calipers and rulers, 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, the Secretariat is contemplating a joint training program with staff from the Western and Central Pacific Fisheries Commission's (WCPFC) observer program to incorporate cross-endorsed observers within the AIDCP observer program later this year, which was not budgeted for.

#### **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

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<sup>2</sup> US vessels are occasionally covered by observers from the Western and Central Pacific Fisheries Commission program (WCPFC), with which the IATTC has an agreement of mutual endorsement.

related to the On-board Observer Program, they are partially funded by the IATTC.

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

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 1** shows the relative percentages of the staff’s time allocated to AIDCP-related work in 2016.

<b>TABLE 1. Allocation of IATTC headquarters staff time to AIDCP-related activities, 2016</b>			
<b>Scientific/technical</b>	<b>% allocation</b>	<b>Administrative</b>	<b>% allocation</b>
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		

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. 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 covered either by the hosting IATTC Member or, if held at IATTC headquarters, by the IATTC operating budget.

**3. PROGRAM EXPENDITURES, 2012-2016**

**Table 2** illustrates AIDCP expenses during 2012-2016, broken down by the two expenditure categories (*On-board observer costs (A)* and *Other costs (B)*).

<b>TABLE 2. Expenses, 2012-2016 (US\$)</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<a href="#">MOP-27-06</a>	<a href="#">MOP-29-06</a>	<a href="#">MOP-31-06</a>	<a href="#">MOP-33-06</a>	MOP-35-06
<b>A. ON-BOARD OBSERVER COSTS<sup>3</sup></b>					
<b>Direct costs:</b>					
Observer compensation and benefits	1,138,921	1,156,285	1,390,139	1,501,287	1,599,099
Travel	74,976	94,658	80,203	73,479	56,718
Supplies and equipment	10,347	16,077	12,337	16,743	13,419
Training	7,910	6,040	21,025	19,609	17,034
<b>Subtotal</b>	<b>1,232,154</b>	<b>1,273,060</b>	<b>1,503,704</b>	<b>1,611,118</b>	<b>1,686,270</b>
<b>Indirect costs:</b>					
IATTC HQ staff: scientific/technical	730,769	769,407	772,713	667,170	697,012
IATTC field offices	317,440	326,430	337,391	364,243	360,011
<b>Total, on-board observer costs</b>	<b>2,280,363</b>	<b>2,368,897</b>	<b>2,613,808</b>	<b>2,642,531</b>	<b>2,743,292<sup>4</sup></b>
<b>B. OTHER COSTS<sup>5</sup></b>					
IATTC HQ staff: administrative	297,251	323,354	314,848	377,497	298,719
AIDCP meetings	74,304	12,170	17,456	14,805	9,309
Other AIDCP direct costs	3,300	9,686	5,409	1,829	5,903
<b>Total, Other costs</b>	<b>374,855</b>	<b>345,210</b>	<b>337,713</b>	<b>394,131</b>	<b>313,932</b>
<b>Total, AIDCP Program costs</b>	<b>2,655,218</b>	<b>2,714,107</b>	<b>2,951,521</b>	<b>3,036,662</b>	<b>3,057,224</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. COMPARISON OF APPROVED AND ACTUAL BUDGETS, 2016

In **Table 3**, Column 1 shows the 2016 approved budget, and Column 2 the actual expenditures; Columns 3a and 3b show the variances between the two. The actual costs were US\$ 69,485 higher than the budgeted costs.

<b>TABLE 3. 2016 budget</b>	1	2	3a	3b
	Approved	Actual	US\$	%
<b>A. ON-BOARD OBSERVER COSTS<sup>3</sup></b>				
<b>Direct costs:</b>				
Observer compensation and benefits	1,336,980	1,599,099	262,119	19.6
Travel	98,985	56,718	(42,267)	(42.7)
Supplies and equipment	20,400	13,419	(6,981)	(34.2)
Training	25,000	17,034	(7,966)	(31.9)
<b>Subtotal</b>	<b>1,481,365</b>	<b>1,686,270</b>	<b>204,905</b>	
<b>Indirect costs:</b>				
IATTC HQ staff: scientific/technical	804,398	697,012	(107,386)	(13.3)
IATTC field offices	332,958	360,011	27,053	8.1
<b>Total On-Board observer costs</b>	<b>2,618,721</b>	<b>2,743,292</b>	<b>124,572</b>	

<sup>3</sup> Covered 30% by IATTC, 70% by vessel assessments

<sup>4</sup> 30% of this amount reflects the IATTC contribution of US\$ 822,988

<sup>5</sup> Covered 100% by AIDCP

TABLE 3 (continued). 2016 budget	1	2	3a	3b
	Approved	Actual	US\$	%
<b>B. OTHER COSTS<sup>5</sup></b>				
Captains seminars	2,500	-	(2,500)	(100.0)
IATTC HQ staff: administrative	336,562	298,719	(37,843)	(11.2)
AIDCP meetings	20,000	9,309	(10,691)	(53.5)
Other AIDCP direct costs	9,956	5,903	(4,053)	(40.7)
<b>Total Other costs</b>	<b>369,018</b>	<b>313,932</b>	<b>(55,087)</b>	
<b>Total AIDCP Program costs</b>	<b>2,987,739</b>	<b>3,057,224</b>	<b>69,485</b>	

The line items with significant variances (>US\$ 15,000 and 10%) between the approved and actual costs (Table 3) were:

1. **Observer compensation and benefits** (US\$ 262,119; 19.6%): As noted above, the increase in observer pay rates implemented in 2014 (see Document [MOP-28-06](#)) has resulted in higher retention of observers and lower travel costs.
2. **Observer travel** (US\$ (42,267); (42.7%)): The additional observer training held in the last few years have increased local observer pools, resulting in a continued significant decrease in observer travel expenditures.
3. **IATTC HQ staff - scientific/technical** (US\$ (107,386); (13.3%)): The continued reduction in this line item reflects the Secretariat's efforts to improve the efficiency of processing and editing of observer data.
4. **IATTC HQ staff - administrative** (US\$ (37,843); (11.2%)): Contributions to the IATTC pension fund were lower than anticipated.

## 5. PROGRAM INCOME, 2016

As shown in Table 4, 2016 vessel assessments and the 30% contribution by the IATTC account for 95% of AIDCP income. The income from the other three sources varies unpredictably from year to year, and cannot be budgeted for in future years.

TABLE 4. AIDCP sources of income, 2016, in US\$		Actual
1	Vessel assessments – Class 6	2,453,446
2	IATTC portion of observer program (30%)	822,988
3	Vessel assessments – Classes 4-5	121,401
4	Inactive and sunk vessels (@ US\$ 1.00/m <sup>3</sup> )	12,723
5	Surcharges for late payments	26,622
	<b>Total income</b>	<b>3,437,180</b>
	<b>Total AIDCP Program expenses</b>	<b>(3,057,224)</b>
	<b>Surplus / (deficit)</b>	<b>379,956</b>

1. Assessments paid by all Class-6 vessels on the [list of active vessels](#) of the IATTC [Regional Vessel Register](#), smaller vessels exercising their 30-day trip option during a closure (IATTC Resolution [C-13-01](#)), and U.S. vessels exercising their option to enter the EPO for one 90-day fishing trip. During 2016 the program experienced a surplus of US\$ 379,956, due primarily to a larger number of vessels making fewer trips, thus reducing the annual cost per vessel. Under normal circumstances, the additional income from these vessels would cover the costs associated with observer coverage of newly-added vessels, including costs associated with processing observer data, training additional observers, etc. However, many of the vessels recently added made fewer than three trips in the EPO, and in some cases did not carry an IATTC observer because the trip originated in the western or central Pacific and the vessel had a WCPFC observer aboard<sup>2</sup>. Essentially, these vessels paid for services that they did not fully utilize, which accounts for much of the surplus.

2. The IATTC general budget, which covers 30% of observer program costs (**Table 3**, Section A)
3. At their 31<sup>st</sup> meeting in June 2015, the Parties decided that small vessels wishing to fish during a closure are required to pay the full assessment of a Class-6 vessel in order to be assigned an observer. Subsequently, a significant number of vessels began paying the assessment, thus considerably increasing vessel assessment income.
4. Assessments paid by sunk and inactive Class-6 vessels, at a rate of US\$ 1.00/m<sup>3</sup>.
5. Surcharges incurred by vessels that fail to pay their assessments by the established deadline.

**Table 5** summarizes the current year surplus.

<b>TABLE 5. Status of AIDCP funds at 31 December 2016</b>		<b>US\$</b>
Surplus at 31 December 2015 <sup>6</sup>		<b>1,058,356</b>
2016 surplus		379,956
<b>Surplus at 31 December 2016</b>		<b>1,438,312</b>

This surplus should be viewed with caution and in the proper context. Because the vessel assessment rate has not been increased for over a decade, the AIDCP had been operating at a deficit for several consecutive years. These deficits would have been significantly larger without the Secretariat's 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 vessel assessments. Some of these measures included forgoing planned expenditures such as replacement or upgrades of equipment, earlier implementation of increased observer pay rates to keep pace with the cost of living, improved observer benefits, *etc.* Despite these efforts, the deficits persisted, and the Parties had to approve a series of extraordinary assessments in 2013 and 2014 to cover the difference. However, during the last three years income has increased considerably, due mostly to additions and/or changes in the fleet, with little change in the fishing activity within the EPO.

### 5.1. Outstanding vessel assessments

As shown in **Table 6**, as of 31 May 2017, eight vessels currently on the Regional Vessel Register have outstanding assessments from 2012-2017 totaling US\$ 333,072, of which US\$ 189,580 pertains to the IATTC observer program, while the remaining US\$ 143,492 represents the national program portion.

<b>TABLE 6. Vessels with assessments outstanding, as of 31 May 2017<sup>7</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	8,700
ECU	4009	<i>Martina C</i>	2017	22,125
ECU	4006	<i>Monteneme</i>	2017	14,933
VEN	3244	<i>La Rosa Mística</i>	2017	18,977
VEN	3607	<i>Caroni II</i>	2016-2017	25,296
VEN	9563	<i>Tunapuy</i>	2012-2017	85,656
VEN	14960	<i>Albamar</i>	2012-2017	105,065
VEN	15630	<i>Rocinante</i>	2014-2017	52,320
<b>Total</b>			<b>US\$ 333,072</b>	

## 6. REQUESTED BUDGET, 2018

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,

<sup>6</sup> See Document [MOP-33-06 CORR](#), Table 6.

<sup>7</sup> Payments made subsequent to 31 May will be presented at the Meeting of the Parties.

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

**Table 7** details the Secretariat’s best estimate of anticipated income and expenditures in 2018, based upon historical data.

<b>TABLE 7. 2017-2018 budgets (US\$)</b>	<b>2017</b>	<b>2018</b>
	<b>Approved</b>	<b>Estimated</b>
Vessel assessment income	2,513,471	2,470,282
IATTC portion of observer program (30%)	849,624	849,624
<b>Total income</b>	<b>3,363,095</b>	<b>3,319,906</b>
<b>A. ON-BOARD OBSERVER COSTS</b>		
<b>Direct costs:</b>		
Observer compensation and benefits	1,547,134	1,625,000
Observer travel	112,710	90,000
Supplies and equipment	20,808	18,000
Training	15,300	25,000
<b>Subtotal</b>	<b>1,695,952</b>	<b>1,758,000</b>
<b>Indirect costs:</b>		
IATTC HQ staff: scientific/technical	792,796	710,818
IATTC field offices	343,332	363,262
<b>Total on-board observer costs</b>	<b>2,832,080</b>	<b>2,832,080</b>
<b>B. OTHER COSTS</b>		
Captain seminars	-	-
IATTC HQ staff: administrative	329,148	316,236
AIDCP meetings	25,000	12,000
Other AIDCP direct costs	9,686	9,000
<b>Total Other costs</b>	<b>363,834</b>	<b>337,236</b>
<b>Total AIDCP Program costs</b>	<b>3,195,914</b>	<b>3,169,316</b>
<b>Surplus / (deficit)</b>	<b>167,178</b>	<b>150,590</b>

## 7. POSSIBLE BUDGET SURPLUS EXPENDITURES

As noted in **Table 5**, the cumulative AIDCP surplus as of 31 December 2016 was US\$ 1,438,312. The Secretariat proposes that these funds be used (1) to increase observer pay rates and (2) for a pilot study to evaluate the feasibility of observers recording data electronically instead of on paper forms.

### 7.1. Increase of observer pay rates

As detailed in Annex I, the Secretariat recommends that AIDCP observer pay be increased in 2018, and again in 2020, as follows:

<b>Current and proposed observer pay rates, in US\$/day</b>			
<b>Observer experience (days at sea)</b>	<b>Current (2015-2017)</b>	<b>2018</b>	<b>2020</b>
0-200	48.00	55.00	65.00
> 200	55.00	65.00	75.00

Currently, these increases could be funded with a portion of the surplus, without the need for an increase in

the vessel assessment rate. However, once the surplus is exhausted, an increase in the assessment rate may be necessary in order to cover this and other budget expenses.

## **7.2. Pilot study on collecting observer data electronically**

The Parties have previously discussed the possibility of observers recording data electronically instead of on paper forms. The evident benefits are that the data would no longer need to be entered into databases manually, and would be available for analysis sooner; the drawbacks include higher costs, for purchasing the electronic equipment, application development, maintenance, and training, along with consideration of the relative vulnerability of hand-held electronic equipment at sea. Observers would still need to carry paper forms, for use in the event that a computer malfunctions or was lost or damaged during a trip.

If this possibility is of interest to the Parties, the Secretariat could prepare a pilot study, with cost estimates, in advance of the next Meeting of the Parties.



## ANNEX I

### PROPOSED INCREASES TO OBSERVER PAY IN 2018 AND 2020

#### BACKGROUND

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 successfully perform their duties and collect high-quality scientific data. Understandably, compensation plays an important part in this. The issue of pay rates for observers working for the IATTC program was extensively discussed in 2013 (Document [MOP-28-06](#)), resulting in daily rates being increased from the 2006 range of US\$ 28-32 to US\$ 39-45. However, this proved to be insufficient: observer retention remained low, and in 2015 the rates were again increased, to the current level of US\$ 48-\$55.

Even at those rates, experienced IATTC observers were earning considerably less than their counterparts in the WCPFC observer program. 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*". In this context, it was also noted that the AIDCP program requires observers to have a college degree in biology, whereas the WCPFC has no such requirement. In short, the AIDCP requires a higher level of education for its observers, but pays them less, which leads to a lack of interest among qualified biologists and high rates of attrition of trained observers.

This situation has made it difficult to maintain a large enough observer pool to cover demand. 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. In recent years, recruiting observers, particularly in Mexico, Panama, and Ecuador, where the majority of the observers are recruited, has become increasingly difficult. The Secretariat therefore considers it important that IATTC observer pay remain competitive not only with the WCPFC program, but also with jobs requiring comparable education and experience in the observers' countries of origin.

#### 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) within the WCPFC program was US\$ 45-65.

Currently, the top tier of the base pay rate for FFA observers 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, for a total rate of US\$ 85. Similarly, IATTC observers collect data for the AIDCP *Dolphin-Safe* label, but without any additional compensation. The FFA intends to increase its base rate to US\$ 80-85 in 2018, so an experienced observer collecting MSC data will be paid US\$ 90-95 per day at sea.

#### PROPOSED INCREASES IN OBSERVER PAY RATES

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.

<b>Current and proposed observer pay rates, in US\$/day</b>			
<b>Observer experience (days at sea)</b>	<b>Current (2015-2017)</b>	<b>2018</b>	<b>2020</b>
0-200	48.00	55.00	65.00
> 200	55.00	65.00	75.00

The proposed increase would result in a 36% increase in observer pay rates over the next three years and should allow IATTC observer salaries to remain competitive, thus enhancing recruitment and retention rates above what they would be if IATTC observer pay rates are left at the current levels.

In 2016 IATTC observers were paid for 24,223 days at sea, almost all of them at the higher rate of US\$ 55. At that number of days at sea, and assuming that all observers are paid the higher rate, an increase of US\$ 10 in the daily rate translates into an additional annual cost for the program of about US\$ 242,000.