

34TH MEETING OF THE PARTIES

La Jolla, California (USA)
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DOCUMENT MOP-34-06

**LINKING THE VESSEL ASSESSMENT RATE TO THE
APPROVED AIDCP BUDGET**

CONTENTS

1. Background	1
2. Estimating observer program costs	1
3. Projecting budget needs	2
4. Budget approval	3
5. Calculating the vessel assessment rate based on an approved budget	3
6. Summary	4

1. BACKGROUND

Section 5.5.2 of Document [MOP-29-06](#) on the AIDCP budget, prepared for the 29th Meeting of the Parties in July 2014, presented a proposal for linking the AIDCP vessel assessment rate to the budget amount approved by the Parties. This process would produce an assessment rate that would generate the revenue necessary to fund the AIDCP On-Board Observer Program and other AIDCP expenses.

Under such an approach, the Secretariat would, when presenting a budget proposal, also specify the assessment rate necessary to generate the revenue required to fund that budget. Then, following any adjustments to the proposed budget by the Parties, the Secretariat could calculate the appropriate adjusted assessment rate, so that the Parties could approve both the budget and the corresponding vessel assessment rate together as a single decision.

At their 29th Meeting, the Parties requested a sample calculation demonstrating how this would work in practice. The resulting document, [MOP-30 INF-B](#), was discussed at the 30th Meeting of the Parties but, while it was generally agreed that such an approach would result in increased financial stability for the IDCP, the Parties did not adopt it, but agreed to consider it further. During the 33rd Meeting of the Parties in June 2016, the United States requested that the Secretariat provide another paper explaining again the process of arriving at a vessel assessment rate based upon an agreed budget amount, including explanations of the assumptions made as part of that process, as well as a description of how any surpluses or deficits from the preceding years might be accounted for. This document has been prepared in response to that request.

2. ESTIMATING OBSERVER PROGRAM COSTS

The direct costs of the On-Board Observer Program, such as observer compensation and travel, can fluctuate significantly, depending mainly upon the number of active vessels required to carry an observer under the AIDCP (“AIDCP vessels”), the number and duration of trips made, the availability of observers, and their related costs. In order to mitigate the effects of these fluctuations when determining the average costs for each trip of observer travel and observer compensation and benefits, the Secretariat bases its calculations on the average of the two most recent years of fleet activity and their related observer costs for the IATTC observer program only (*i.e.* excluding national program costs) (Table 1).

TABLE 1. Data used to calculate the vessel assessment rate required to fund the proposed AIDCP budget for 2017.			
	2014	2015	Average
Trips observed by IATTC program:			(days)
Days at sea	22,020	22,797	
Trips	454	504	
Trip duration (days)	48.50	45.20	46.85
IATTC observers:			(US\$)
Compensation and benefits	1,390,139	1,501,287	
Days at sea	22,020	22,797	
Daily cost (US\$)	63.13	65.85	64.49
Travel costs	80,203	73,479	
Trips	454	504	
Costs per trip (US\$)	176.66	145.79	161.23

These average values are subsequently applied to data for the entire AIDCP On-Board Observer Program (IATTC and national programs combined) to calculate the projected costs, as described and illustrated in the rest of this document.

3. PROJECTING BUDGET NEEDS

The first step in projecting budget needs for any given year is estimating the costs related to observer placements, which is the largest component of the program costs. This requires forecasting how many AIDCP vessels will be active the following year, and then calculating the resulting observer costs.

The number of active AIDCP vessels can vary significantly from year to year, as can the corresponding capacity. For this exercise, it is assumed that the number of vessels active in the current year provides the best estimate of the number of vessels likely to be active in the following year, given that the vast majority of AIDCP vessels that will be active during that year are already active. As of 30 September 2016, there were 192 active AIDCP vessels on the IATTC Regional Vessel Register, so this is the number of vessels predicted to be active in 2017.

In 2015 the IATTC and national observer programs combined, covered 842 trips made by 175 AIDCP vessels, an average of 4.8 trips per vessel. Table 2 shows the cost projections for 2017 based on this value and the information in Table 1.

TABLE 2. Projected observer compensation and travel costs, in US\$, 2017.		
Basis	Average	Total
AIDCP vessels	Trips per vessel	Trips
192	4.8	921.6
Total trips	Trip duration (days)	Observer days
921.6	46.85	43,177
Total observer days	Observer compensation and benefits/day (US\$)	Observer compensation and benefits (US\$)
43,177	64.49	\$ 2,784,482
Total trips	Observer travel costs/trip (US\$)	Observer travel costs (US\$)
921.6	161.23	\$ 148,585

In addition to the costs calculated in Table 2, there are costs of equipment and supplies, and training for observers. The amounts in Table 3 add these costs, which are taken from the AIDCP projected budget for 2017 in Document [MOP-32-INF-A](#).

TABLE 3. Projected observer program direct costs, in US\$, 2017	
Compensation and benefits	\$ 2,784,482
Travel	148,585
Equipment and supplies	20,808
Training	15,300
Total	\$ 2,969,175

To these direct observer program costs are then added the indirect and other costs associated with the program (Table 4), also taken from [MOP-32-INF-A](#).

TABLE 4. Total projected AIDCP expenses, in US\$, 2017	
A. Observer program:	
Direct observer program costs	\$ 2,969,175
Indirect costs:	
IATTC HQ staff: scientific/technical	792,796
IATTC field offices	343,332
Total observer program	4,105,303
B. Other costs:	
AIDCP meetings	25,000
Other AIDCP direct costs	9,686
IATTC HQ staff: administrative	329,148
Total other costs	363,834
Total projected AIDCP costs, 2017	\$ 4,469,137

4. BUDGET APPROVAL

As at present, the Secretariat would prepare a budget proposal to cover the total estimated AIDCP costs for the following year. The Parties could then adjust any element of the proposal, and the amount finally agreed would then, after the further adjustments described in the next section, be the basis from which the vessel assessment rate is derived. In this way, the Parties would control the vessel assessment rate, because it would be derived from the budget amount that they adopted. The total AIDCP budget for 2017 used in this exercise is US\$ 4,469,137 (Table 4).

5. CALCULATING THE VESSEL ASSESSMENT RATE BASED ON AN APPROVED BUDGET

Once the Parties approve a budget amount, the following adjustments would be made before the vessel assessment rate is calculated:

1. Subtract 30% of the IATTC observer program costs;
2. Account for any operational surplus or deficit from the previous full year.

As discussed in Document [MOP-33-06](#), an extraordinary accumulated surplus of US\$ 291,713 from 2014 was included in the total 2015 surplus of US\$ 1,058,356, requiring a further adjustment to the 2017 projected operational budget.

It would be prudent to carry over an amount from year to year sufficient to cover any temporary shortfalls in funding. This could be a specific amount, or a percentage of the total budget. For this exercise, a carryover of US\$ 350,000 was used.

TABLE 5. Projected net budget required, in US\$, 2017		
	Step	Total (US\$)
Total projected budget		\$ 4,469,137
IATTC contribution (from MOP-32 INF-A)	1	(849,624)
2015 operational surplus	2	(766,643)
Extraordinary accumulated surplus	3	(291,713)
2016 carryover	4	350,000
Net budget required, 2017		US\$ 2,911,157

In this exercise, the vessel assessment rate was then calculated by dividing the net budget for 2017 in Table 5 by the capacity, in cubic meters (m³) of well volume, of the 192 AIDCP vessels projected to be active in 2017 (Table 2).

TABLE 6. Projected vessel assessment rate, in US\$, 2017		
Net budget required	US\$	2,911,157
Total anticipated well volume of active AIDCP vessels in 2017	m ³	254,545
Vessel assessment rate	US\$/m ³	11.44

Therefore, in this exercise, the vessel assessment rate needed to fund the AIDCP portion of the total projected budget for 2017 of US\$ 4,469,137 is US\$ 11.44/m³.

6. SUMMARY

The process outlined above would generate the vessel assessment rate based on an approved budget amount. The Secretariat's annual budget proposal would specify the assessment rate necessary to fund that budget, taking into account any surplus or deficit carried over from the previous year. As stated above, calculating the assessment rate is simple enough that revised rates, incorporating any adjustments made by the Parties during the budget approval process, could be produced rapidly and with minimal effort. Thus, it would be feasible for the budget and the corresponding vessel assessment rate to be considered and adopted as a single decision by the Parties.