

**The North Atlantic Salmon
Conservation Organization**

**Report of the Twenty-Seventh Annual Meeting of
the Finance and Administration Committee
31 May 2010, Québec City, Canada**

Chairman: Ms Elena Samoylova (Russian Federation)

Vice-Chairman: -

Secretary: Dr Malcolm Windsor

CNL(10)5

Contents

	<u>Page</u>
Report of the Twenty-Seventh Annual Meeting of the Finance and Administration Committee	1
Annex 1 List of Participants	5
Annex 2 Agenda	7
Annex 3 Methods of Calculating the Contributions to NASCO	9
Annex 4 2011 Budget and 2012 Forecast Budget	13
Annex 5 List of Finance and Administration Committee Papers	19

CNL(10)5

*Report of the Meeting of the Finance and Administration Committee of the
North Atlantic Salmon Conservation Organization
Le Château Frontenac, Québec City, Canada
Monday 31 May 2010*

1. Opening of the Meeting

- 1.1 In the absence of the Chairman, Dr Boris Prischepa (Russian Federation), and the Vice-Chairman, Mr Arni Isaksson (Iceland), the meeting was opened by the Secretary. The Committee elected Ms Elena Samoylova (Russian Federation) to serve the remainder of Dr Prischepa's term as Chair. She opened the meeting and welcomed members of the Committee to Québec City.
- 1.2 A list of participants is contained in Annex 1.

2. Adoption of the Agenda

- 2.1 The Committee adopted its agenda, FAC(10)5 (Annex 2).

3. Election of Officers

- 3.1 The Committee elected Mrs Sonja Feldthaus (Denmark (in respect of the Faroe Islands and Greenland) as its Chair and Mr Raoul Bierach (Norway) as its Vice-Chair to serve for two years from the close of the Twenty-Seventh Annual Meeting.

4. 2009 Audited Accounts

- 4.1 The Secretary introduced the audited accounts for 2009, FAC(10)2. For 2009, there was a surplus which had been paid into the Contractual Obligation Fund in accordance with the Financial Rules. The Committee recommended to the Council the adoption of the 2009 audited accounts.

5. Relationship with ICES

- 5.1 In 2007, the Council had entered into a new Memorandum of Understanding (MoU) with ICES that is subject to review every three years. Last year, ICES had indicated that it was ready to continue the MoU for a further three year period but had also indicated that the costs of providing the advice had increased considerably and that the percentage cost recovery from client Commissions had consequently fallen. There had been no proposals from the Committee to revise the MoU but it had indicated that it would be concerned about any proposal from ICES to increase its costs above the rate of inflation in Denmark.
- 5.2 The Secretary noted that in recent years, ICES has made considerable progress in addressing NASCO's concerns about the timeliness and quality of presentation of the advice and about the need for financial stability, although the current weakness of the pound sterling against the Danish Kroner had resulted in considerably increased

payments to ICES. Since last year, there had been no proposal from ICES to increase its costs above the rate of inflation in Denmark. The Committee agreed to a continuation of the MoU and asked that the Secretary advise ICES accordingly. The Committee noted that there could be significant cost savings to NASCO under the MoU if it did not require peer reviewed scientific advice in 2011.

6. Methods of Calculating the Contributions to NASCO

- 6.1 The Secretary introduced document FAC(10)3 (Annex 3). Following Iceland's withdrawal from NASCO, with effect from 31 December 2009, the Council agreed that the schedule of contributions should be revised to reflect this change i.e. from seven to six Parties. Denmark (in respect of the Faroe Islands and Greenland) had requested that the method of calculating the contributions to NASCO be included on the agenda for the Twenty-Seventh Annual Meeting 'with a view to examining the situation in more detail in light of Iceland's withdrawal'. This document reviewed the methods used by NASCO and three other fisheries Commissions (NEAFC, NAFO and ICCAT) to calculate their budget contributions. In short, while all three use both fixed and catch related elements, NEAFC and ICCAT make allowance for countries either with small populations (NEAFC) or to reflect their economic status (ICCAT). The document indicated that the Council, through its Finance and Administration Committee, had previously reviewed the method of calculating the contributions to NASCO. However, there had not been a willingness to implement changes other than to use the most accurate reported catch statistics. It was noted that NASCO is in a rather unique position in that major savings have been achieved in successive budgets over many years as a result of the decision to purchase the Headquarters Property which has resulted in substantial savings both from not having to pay rent and from receiving an annual rental income. These savings amount to about a fifth of the budget and this benefits all the Parties. Furthermore, the effect of the withdrawal of Iceland on the contributions of the other Parties had to some extent been offset by the decline of the pound sterling against other currencies.
- 6.2 The representative of Denmark (in respect of the Faroe Islands and Greenland) thanked the Secretary for the helpful review and indicated that it had not been her delegation's intention to propose re-opening the Convention with a view to changing the method of calculating the contributions. Rather, the concern related to the procedures used following the sudden increase in contributions following the withdrawal of Iceland which could have caused difficulties in obtaining approval from the Parliaments if the increase had been more significant. She said it might have been expected that the withdrawal of Iceland would have resulted in reduced activities and operating costs for the Organization. The Secretary indicated that the withdrawal of Iceland had not affected either the activities or the costs. She said that Denmark (in respect of the Faroe Islands and Greenland) would find it difficult if its contribution to NASCO increased significantly in the future.
- 6.3 The representative of the European Union sympathised with the statements made by Denmark (in respect of the Faroe Islands and Greenland) and indicated that under the current economic conditions all budgets are under increasing scrutiny and there is a need to avoid significant increases in NASCO's costs.
- 6.4 The Secretary indicated that in his consultations with the Chairman of the Finance and Administration Committee consideration had been given to whether alternatives to

increasing the contributions might be available such as using the Working Capital Fund. However, the Chairman had felt that, while such an approach was feasible, this would simply have delayed the increase in contributions and it was not pursued.

6.5 The Committee agreed that no further action was required on this matter.

7. Consideration of the 2011 Draft Budget, Schedule of Contributions and 2012 Forecast Budget

7.1 The Secretary introduced the draft 2011 budget, FAC(10)4. He indicated that the Secretariat is aware of the need to reduce costs in the present economic climate and the draft 2011 budget represents a reduction of about 1.1% in real terms compared to the 2010 budget, while allowing for continuing investment in the Organization's reserves. In eight of the budget expenditure heads there were either no increases or reductions in real terms were proposed. He noted that the Parties should also benefit from the continuing weakness of the pound sterling against most major currencies.

7.2 The representative of the European Union thanked the Secretary for his efforts in again offering reductions in real terms in the Organization's budget. He asked if the reference to a non-expenditure payment related to a transfer between funds. The Secretary advised that it referred to a contribution to the Contractual Obligation Fund which the Council had agreed should be built so as to avoid fluctuations in future budgets related to contractual obligations to tenants and staff. The Secretary, responding to a question from the representative from the European Union, said that the budget had assumed no increase in salaries in 2011 but the 2011 Coordinated Organizations' scales will not be available until the end of the year.

7.3 The Committee agreed to recommend to the Council the adoption of a draft budget for 2011. This budget was adopted unchanged by the Council and is contained in Annex 4.

8. Appointment of Auditors

8.1 The Committee recommended to the Council the appointment of PricewaterhouseCoopers of Queen Street, Edinburgh, as auditors for the 2010 audited accounts, or such other company as may be agreed by the Secretary in consultation with the Chairman of the Finance and Administration Committee.

9. Any Other Business

9.1 The representative of the US informed the Committee that it expected to have additional funds of approximately \$12,000 available for possible disbursement to NASCO and would be exploring options during the week for making an extra contribution to the Organization in support of research.

9.2 The Secretary thanked the US and referred to another contribution (£22,204) made by the US in 2009 to the West Greenland Enhanced Sampling Programme. This contribution had allowed payments to be made to the samplers to allow them to purchase the whole round fish required for the extensive sampling undertaken in the programme. In 2009, payments had been made by NASCO to six samplers amounting to £9,622 and the balance of £12,582 had been paid into the International

Atlantic Salmon Research Fund as a credit towards the 2010 sampling costs. The Secretary also referred to the enormously successful fund-raising initiative in support of the SALSEA Programme. From seed corn funding of around £200,000 provided by the Parties, it had been possible to implement a major, innovative research programme costing around Euro 8 million with contributions from the Parties, the European Commission's Research Directorate, the TOTAL Foundation, and the NGOs.

9.3 The Secretary advised the Committee that the lease with NASCO's tenants, Hitachi Data Systems, had ended in 2009 but after a long negotiation a new ten year lease had just been agreed on favourable terms for the Organization.

9.4 There was no other business.

10. Report of the Meeting

10.1 The Committee agreed a report of its meeting.

10.2 The Chair thanked the members of the Committee for their contributions, expressed appreciation to the Secretariat for their sound financial management of the Organization's resources and closed the meeting. The Committee thanked its Chair for stepping in at short notice and running the meeting very efficiently.

10.3 A list of Finance and Administration Committee papers is given in Annex 4.

List of Participants

Canada

Bud Bird
Chantal Lamadeleine
Brett Norton

Denmark (in respect of the Faroe Islands and Greenland)

Sonja Feldthaus
Elin Mortensen

European Union

Alan Gray

Norway

Raoul Bierach

Russian Federation

Elena Samoylova
Sergei Prusov

USA

Kim Blankenbecker
Nicole Ricci

Secretariat

Dr Peter Hutchinson
Dr Malcolm Windsor

FAC(10)5

Agenda

1. Opening of the Meeting
2. Adoption of the Agenda
3. Election of Officers
4. 2009 Audited Accounts
5. Relationship with ICES
6. Methods of Calculating the Contributions to NASCO
7. Consideration of the 2011 Draft Budget, Schedule of Contributions and 2012 Forecast Budget
8. Appointment of Auditors
9. Any Other Business
10. Report of the Meeting

FAC(10)3

Methods of Calculating the Contributions to NASCO

Introduction

1. Following Iceland's withdrawal from NASCO, with effect from 31 December 2009, the Council agreed that the schedule of contributions should be revised to reflect this change i.e. from seven to six Parties. Denmark (in respect of the Faroe Islands and Greenland) requested that the method of calculating the contributions to NASCO be included on the agenda for the Twenty-Seventh Annual Meeting 'with a view to examining the situation in more detail in light of Iceland's withdrawal'.

Calculating the Contributions to NASCO

2. Under Article 16 paragraph 2 of the Convention, it is stated that the annual contribution of each Party shall be determined according to the following formula:
 - (a) 30% of the budget is divided equally among the Parties; and
 - (b) 70% of the budget is divided among the Parties in proportion to their nominal catches of salmon subject to the Convention in the calendar year ending not more than 18 months and not less than 6 months before the beginning of the financial year.
3. Following an earlier review of the methods used to calculate the contributions to NASCO, the Council had agreed that while the budget contributions are initially calculated using provisional catch data, an adjustment should be made when the confirmed catches become available the following year. This arrangement has been in place since 1999. Thus, for the 2010 contributions, provisional catch data for 2008 formed the basis on which the contributions were calculated but an adjustment to the 2011 contributions will be made to reflect any differences between the provisional and confirmed 2008 catches.

Impact of Iceland's Withdrawal

4. Following notification of Iceland's intent to withdraw from the Convention, the budget contributions for 2010 were re-calculated on the basis of there being six not seven Parties. The impact of this change was to increase the contributions of the six remaining Parties by between 13.6 - 16.7%, although for most Parties the additional contribution was between £4,000 and £8,500. It is hoped that this situation will be short-lived since Iceland has indicated that it 'sincerely hopes to re-accede to the NASCO Convention when the economic situation improves'. This could again be as a Party in its own right or through membership of the European Union.
5. However, the impact of the increases in the revised 2010 contributions following the withdrawal of Iceland should be considered against the background that the 2010 budget adopted by the Council in Molde represented a reduction of 3.1% (or 6% in real terms) compared to the 2009 budget and there has been a sharp decline in the

value of the pound sterling. Consequently, the percentage increases in the actual payments made in 2010 compared to those made in 2009 range from 5 – 10%. The 2011 Draft Budget to be considered by the Committee in Quebec represents a further reduction of about 1.1% in real terms compared to the 2010 budget.

6. There have been several previous changes to the number of NASCO Parties including the accessions of Greenland (following its withdrawal from the EU) and the Russian Federation and the withdrawals of Sweden and Finland as Parties in their own right when they joined the European Union. The Council seeks to encourage France (in respect of St Pierre and Miquelon) to accede to the Convention.

Previous Reviews of the Methods of Calculating the Contributions to NASCO

7. In 1996, the Finance and Administration Committee reviewed the report of a Working Group established to examine the formula by which the contributions to NASCO are calculated and to consider measures of implementing any proposed modifications. The Group had concluded that there should be no change to the percentage of the budget that is shared equally (30%) and that is catch-related (70%) and that nominal (i.e. reported) catches should continue to be used as the basis for calculating contributions. The Working Group did recognise that there was a strong case for using the most accurate catch statistics. The Council agreed and, since the 1999 contributions, an adjustment has been made to the contributions to take account of the difference between the provisional and confirmed catch statistics (see paragraph 3 above). In 2000, the Council asked that a variety of scenarios for amending the method of calculating the contributions to NASCO be explored including varying the fixed and catch related proportions, including estimates of unreported catches together with the reported catches, excluding ranched fish and including a mortality factor for catch and release fishing (see CNL(01)7). Again, the Council decided not to change the method used for calculating the contributions to NASCO and there have been no changes since.

Methods used to Calculate Contributions in Other North Atlantic fisheries Commissions

8. For the purposes of this review, we have considered the methods of calculating the contributions used by three other North Atlantic fisheries Commissions – the North-East Atlantic Fisheries Commission (NEAFC), the Northwest Atlantic Fisheries Organization (NAFO) and the International Commission for the Conservation of Atlantic Tunas (ICCAT). In the case of NAFO, the method used is similar to NASCO in that there are only fixed and catch related elements, although the method distinguishes between coastal states and Contracting Parties (not an issue in NASCO). Thus, 10% of the NAFO budget is divided among coastal states in proportion to their nominal catches, 30% of the budget is divided equally among all Contracting Parties and 60% of the budget is divided among all Contracting Parties in proportion to their nominal catches.
9. In the case of NEAFC, the contributions are calculated by dividing one third of the budget equally among its Contracting Parties and dividing the remaining two thirds among the Contracting Parties on the basis of their nominal catches in the Convention area on the basis of ICES statistics. However, the annual contribution of a

Contracting Party that has a population of less than 300,000 inhabitants is limited to 5% of the budget. This provision applied to the first five budgets and is subject to annual review, but the NEAFC Secretariat has confirmed that it remains in place. The only Party in NASCO with a population less than 300,000 is Denmark (in respect of the Faroe Islands and Greenland). Its contribution to NASCO is presently around 6.5% of the budget.

10. The International Commission for the Conservation of Atlantic Tunas has a more complicated system for calculating the contributions of Contracting Parties that involves payment of an amount equivalent to US\$1,000 for Commission membership and US\$1,000 for each panel membership plus an amount derived by a formula that recognises four different groups based on both their economic capabilities and their catch and production of canned tuna and tuna-like fish.
11. Thus, each of the other three North Atlantic fisheries Commissions considered above uses a method to calculate the contributions that includes both fixed and catch related elements. However, NEAFC and ICCAT take account of either the population or the economic status of their Parties in calculating the contributions by the Parties. It is worth noting that the NASCO budget of around £570,000 for 2010 is considerably less than that of either NEAFC (£1,250,900) or ICCAT (£2,500,000).
12. Any change to the formula used to calculate the contributions to NASCO would involve a change to the Convention. While the desirability of re-opening the Convention was discussed during the 'Next Steps' review process in 2004/2005, although not in relation to the financial aspects, it was recognised that this could have unintended consequences and it was not pursued.
13. In short, over the last fifteen years or so the Council, through its Finance and Administration Committee, has spent some considerable time reviewing the method of calculating the contributions to NASCO. However, there has not been a willingness to implement changes other than to use the most accurate reported catch statistics. The Committee will be asked to consider this matter at its meeting in Québec. It is, perhaps, worth noting that NASCO is in a rather unique position in that major savings have been achieved in successive budgets over many years as a result of the decision to purchase the Headquarters Property which has resulted in substantial savings both from not having to pay rent and from receiving an annual rental income from the tenant. These savings amount to about a fifth of the budget and this benefits all the Parties.

CNL(10)49

***North Atlantic Salmon Conservation Organization
2011 Budget and 2012 Forecast Budget (Pounds Sterling)***

Section	Description	Expenditure	
		Budget 2011	Forecast 2012
1	Staff-related costs	380,860	388,400
2	Travel and subsistence	41,500	41,600
3	Research and advice	59,410	60,500
4	Contribution to Working Capital Fund	0	0
5	Meetings	8,000	8,000
6	Office supplies, printing and translation	22,000	22,300
7	Communications	22,000	22,100
8	Headquarters Property	36,700	37,400
9	Office furniture and equipment	6,500	6,500
10	Audit and other expenses	9,500	9,600
11	Tag Return Incentive Scheme	4,800	4,800
12	International Atlantic Salmon Research Fund	0	0
13	Contribution to Contractual Obligation Fund	38,000	39,000
	Total	629,270	640,200

		Income	
		Budget 2011	Forecast 2012
14	Contributions - Contracting Parties	570,270	577,200
15	General Fund - Interest	2,000	6,000
16	Income from Headquarters Property	57,000	57,000
17	Surplus or Deficit (-) from 2009	0	0
	Total	629,270	640,200

Section 1	Staff-related costs	Budget 2011	Forecast 2012
1.1	Secretariat members	244,770	249,600
1.2	Support staff	27,560	28,100
1.3	Staff Fund contributions, allowances, public liability, insurances and other staff-related costs	108,530	110,700
	Total	380,860	388,400

Section 2	Travel and subsistence	Budget 2011	Forecast 2012
2.1	Travel to post and Annual Meeting	10,500	10,000
2.2	Official travel and subsistence	31,000	31,600
2.3	President's travel to represent NASCO	0	0
	Total	41,500	41,600

Section 3	Research and advice	Budget 2011	Forecast 2012
3.1	Annual contribution to ICES	59,410	60,500

Section 4	Contribution to Working Capital Fund	Budget 2011	Forecast 2012
4.1	Working Capital	0	0

Section 5	Meetings	Budget 2011	Forecast 2012
5.1	Costs of Annual Meeting	4,000	4,000
5.2	Costs of other meetings	4,000	4,000
	Total	8,000	8,000

Section 6	Office supplies, printing and translation	Budget 2011	Forecast 2012
6.1	Office supplies	16,000	16,300
6.2	Printing	4,000	4,000
6.3	Translations	2,000	2,000
	Total	22,000	22,300

Section 7	Communications	Budget 2011	Forecast 2012
7.1	Telecommunications	8,000	8,100
7.2	Postage and courier services	4,000	4,000
7.3	Website	6,000	6,000
7.4	Communications, professional support and design	4,000	4,000
	Total	22,000	22,100

Section 8	Headquarters Property	Budget 2011	Forecast 2012
8.1	Capital and interest payments	0	0
8.2	Maintenance, services and other building-related costs	36,700	37,400
	Total	36,700	37,400

Section 9	Office furniture and equipment	Budget 2011	Forecast 2012
9.1	Furniture	1,500	1,500
9.2	Equipment	5,000	5,000
	Total	6,500	6,500

Section 10	Audit and other expenses	Budget 2011	Forecast 2012
10.1	Audit and accountancy fees	6,500	6,600
10.2	Bank charges and insurances	1,000	1,000
10.3	Miscellaneous	2,000	2,000
	Total	9,500	9,600

Section 11	Tag Return Incentive Scheme	Budget 2011	Forecast 2012
11.1	Prize money	4,800	4,800

Section 12	Contribution to International Atlantic Salmon Research Fund	Budget 2011	Forecast 2012
12.1	IASR Fund	0	0

Section 13	Contribution to Contractual Obligation Fund	Budget 2011	Forecast 2012
13.1	Contribution to Contractual Obligation Fund	38,000	39,000

**Adjustments to 2010 contributions (Pounds Sterling)
to take into account confirmed 2008 Catch Statistics**

Party	2008 Provisional catch	2008 Confirmed catch	2010 Contribution based on provisional catch	2010 Contribution based on confirmed catch	Adjustment to 2011 contribution
Canada	148	158	67,003	69,355	+2,352
Denmark (Faroe Islands and Greenland)	26	26	34,947	34,901	-45
European Union	444	444	144,779	144,005	-774
Norway	807	807	240,160	238,754	-1,406
Russian Federation	73	73	47,296	47,169	-127
USA	0	0	28,115	28,115	0
TOTAL	1,498	1,508	562,300	562,300	0

Note: A positive adjustment represents an underpayment in 2010.

**NASCO Budget Contributions for 2011 and Forecast
Budget Contributions for 2012 (Pounds Sterling)**

Party	2009 Provisional catch (tonnes)	Contribution for 2011	Adjustment from 2010	Adjusted contribution for 2011	Forecast contribution for 2012
Canada	119	70,589	+2,352	72,941	71,447
Denmark (Faroe Islands and Greenland)	26	37,707	-45	37,661	38,165
European Union	318	140,951	-774	140,178	142,664
Norway	595	238,892	-1,406	237,486	241,795
Russian Federation	71	53,618	-127	53,490	54,269
USA	0	28,514	0	28,514	28,860
TOTAL	1,129	570,270	0	570,270	577,200

Contributions are based on the official catch returns by the Parties or catch data provided in the ICES Advisory Committee Report. Column totals can be in error by a few pounds due to rounding.

List of Finance and Administration Committee Papers

- FAC(10)01 Draft Agenda
- FAC(10)02 Audited Accounts
- FAC(10)03 Methods of Calculating the Contributions to NASCO
- FAC(10)04 2011 Draft Budget and 2012 Forecast Budget
- FAC(10)05 Agenda
- FAC(10)06 Draft Report of the Finance and Administration Committee