



Agenda item 4.3
For decision

Council

CNL(00)8

***Methods of
Calculating the Contributions to NASCO***

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Background

1. Since 1995 the Finance and Administration Committee (FAC) has reviewed the methods for calculating the contributions to NASCO. Initially there were two concerns: the financial implications resulting from changes in membership of the European Union (raised by Canada) and the inclusion of ranched salmon in the statistics used to calculate the contributions by the Parties (raised by Iceland). A Working Group was established and recommended to the Council that there should be no change to the formula used to calculate contributions (i.e. 30% fixed, 70% catch-related) and that nominal catches (considered by the Committee to mean declared catches) should continue to be used as a basis for calculating the contributions of the Parties but that the Parties should encourage measures to reduce the level of unreported catches. The issue of the exclusion of ranched fish was not resolved. In 1998, on a proposal from Iceland, the Council agreed that contributions would be adjusted to take into account any difference between the provisional and confirmed catch statistics.
2. Last year, concern was expressed by the Icelandic delegation that major changes which have affected the catches used in calculating the contributions to NASCO have taken place in recent years. The FAC recognised that there had been major changes to salmon management in recent years and the Council therefore asked the Secretary to prepare a discussion paper on how the issues raised by Iceland on the calculation of the contributions might be resolved without amending the Convention.

Formula for Calculation of Contributions

3. Under Article 16, paragraph 2, of the Convention, the annual contribution of each Party is 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.
4. The term "nominal catches" is not defined in the Convention but FAO uses the term to mean the live weight equivalent of landings. It does not, therefore, include *inter alia* pre-catch losses, discards or unrecorded catches. In 1993 the Council recognized the desirability of improved comparability in the catch statistics provided to NASCO under Article 15, paragraph 1, of the Convention. These statistics are used to calculate the contributions by the Parties. A Minimum Standard for Catch Statistics was unanimously adopted which states *inter alia* that the catch statistics of the Parties should include:
 - Catches from all components of the fisheries where these are retained;
 - Returns to salmon ranching units;

- Salmon caught in non-salmon gear where retention of fish caught in this way is legal.

This Minimum Standard might be considered clarification of the term “nominal catches” as referred to in Article 16, paragraph 2(b), of the NASCO Convention.

Icelandic Concerns

5. Last year the Icelandic delegation presented a document (FAC(99)6) to the Finance and Administration Committee in which it detailed a number of concerns with the present methods used to calculate the contributions to NASCO. These concerns are as follows:
 - (a) the reduction in the number of NASCO Parties from 9 to 7 has increased the share of the contributions for the remaining Parties;
 - (b) private compensation arrangements for NASCO quotas (so-called “buy-outs”) have greatly reduced the catch of the Party receiving the compensation and, therefore, its contribution to NASCO;
 - (c) the inclusion of Icelandic ranched salmon in the catches used to calculate the contributions;
 - (d) the high level of unreported catch in some countries which are excluded from the catches used to calculate the contributions;
 - (e) the increasing practice of “catch and release” angling with released fish being excluded from the catches used to calculate the contributions.

These concerns are discussed below with a view to examining the options for addressing them without amendment to the Convention. Given that none of the Parties, except Iceland, is prepared to consider amending the Convention, the only flexibility would appear to be in the interpretation of the term “nominal catches”.

Reduction in the number of NASCO Parties

6. This concern arose following Sweden’s and Finland’s membership of the European Union, which meant that, from the end of 1995, they were represented in NASCO within the EU delegation and not as Contracting Parties in their own right. The number of NASCO Parties was therefore reduced from 9 to 7. However, the NASCO system of calculating contributions would appear to have some fairness since, while the loss of two Parties resulted in the fixed proportion (30% of the budget) being shared between only seven Parties instead of nine, the impact of this change was lessened on the other Parties because the European Union’s catch-related share (70% of the budget) increased. So the catch element had no impact, it was simply transferred to the EU and has meant an increase of £5,000-£6,000 in their contribution. The fixed proportion element, however, became divided by seven rather than nine, and that has meant an increase of approximately £3,000 for all Parties.
7. The only way to address this concern would be to change the formula for calculating the contributions. This would require a change to the Convention. However, almost all methods of calculating the contributions will be sensitive to a change in the

number of Parties. The NASCO system does appear to have advantages compared to the formulae used by some other inter-governmental fishery commissions which divide the budget equally among the Contracting Parties. Under these arrangements the loss of two Parties would have had a larger impact on the other Parties than under the NASCO regime. When this issue was last looked at by the Finance and Administration Committee in 1996, there was no support for changing the formula used to calculate the contributions.

Compensation payments

8. Since 1991, private sources have paid compensation to the Faroese fishermen not to fish the quotas agreed within NASCO. These agreements have reduced the catch of Denmark (in respect of the Faroe Islands and Greenland). In the case of the Faroe Islands there has been a research-only fishery since 1991, while the West Greenland fishery was only subject to compensation arrangements in 1993 and 1994.
9. In 1991 the Council reviewed the principles associated with these compensation arrangements. The majority of Parties felt that NASCO should play no role in the purchase of NASCO quotas but that the Organization should be kept informed of the result of compensation negotiations. In other words, NASCO's work should not be influenced by the fact that there were negotiations on compensation arrangements taking place. Under the Icelandic proposal, the allocated quota, and not the catch, should be used as a basis for calculating the contribution to NASCO when compensation arrangements are in place. This would, in fact, only apply to one Party (Denmark (in respect of the Faroe Islands and Greenland)) at present, so there would be two different approaches to calculating contributions.
10. A number of complications with this proposal might be envisaged. For example, the Icelandic proposal does not specify what the basis for calculation of the contribution would be in a year when no compensation agreement is in place or when there is no NASCO quota. A further complication relates to the fact that the Faroese delegation has in recent years unilaterally agreed to allocate less than the full quota in the event that there is a fishery. In addition, since 1998 the regulatory measures for the West Greenland fishery have not allocated a specific tonnage but have restricted the harvest to the amount used for internal consumption. These aspects would need to be resolved. However, a change in the basis for calculating contributions would require an amendment to the Convention since the existing formula refers to the use of "nominal catches", not quotas.

Ranched fish

11. The Minimum Standard for Catch Statistics requires that the catch statistics provided to NASCO include returns of salmon to ranching units. The majority of salmon ranching in the North Atlantic area has been conducted in Iceland, where production reached about 500 tonnes in 1993. The growth of ranching has had a significant impact on the Icelandic contribution to NASCO but since 1993 the production of ranched salmon in Iceland has fallen and in 1998 was only 34 tonnes. The Icelandic position has been that ranched fish should not be included in the catches used to calculate the contributions to NASCO. To support this position, Iceland has suggested that the NASCO Convention clearly indicates that the only salmon stocks of concern to NASCO are those originating in rivers and it is only these stocks that are in need of conservation and restoration. Iceland has also stressed that ranched

salmon are of lower value and do not contribute to spawning populations. The other Parties, however, referred to the fact that ranched fish enter the Convention area and may even compete with wild stocks, and that exclusion of ranched fish would set a precedent for fish released for enhancement purposes. The view has also been expressed that if ranching is declining because it is not profitable then this particular concern will soon disappear.

12. The Council could decide that statistics for salmon ranching should continue to be submitted to the Organization but should not be included in the "nominal catches" used in calculating the contributions. However, for the reasons given in paragraph 11 above, the other Parties have not, so far, been convinced of the validity of the arguments presented by Iceland for excluding ranched fish.

Unreported catches

13. Unreported catches are not included in the statistics used to calculate the contributions to NASCO. The estimate provided by ICES indicates that in 1998 unreported catches amounted to 1,210 tonnes compared to a declared catch of 2,401 tonnes. A breakdown of this figure other than by Commission area is not available, but last year the Council asked that the Parties provide to the Secretariat an estimate of unreported catch by country. These figures will, therefore, be available at the Seventeenth Annual Meeting. It appears from the information currently available that some countries may have a greater problem with unreported catches than others and it could, perhaps, be argued that it is unfair to expect those who have systems in place to ensure that catches do not go unreported to pay a price for it. Iceland has drawn attention to the high level of unreported catches in some countries, but stated at the 1997 meeting of the Finance and Administration Committee that it has "practically no unreported catch". However, it has to be recognized that the unreported catch figures are all "guess-estimates" and that the procedure by which these figures are derived might be adversely affected if they were to be included in the catches used for calculating contributions. When this issue was last looked at by the Finance and Administration Committee in 1996, there was no support for including unreported catches in the figure used to calculate the contributions. However, if the Council considered that this was now desirable, then information should be available in 2000 which would allow this element to be included in the "nominal catches" used in calculating the contributions of the Parties.

Catch and Release

14. In recent years the practice of catch and release fishing in recreational fisheries has become increasingly commonplace. Last year ICES provided information on catch and release for six countries for the 1998 fishing seasons. The proportion of the total rod catch that was released was 100%, 81%, 52%, 30%, 19% and 7% of catches in USA, Russia, Canada, England and Wales, Scotland and Iceland respectively. The release of salmon caught in recreational fisheries reduces the official catches reported to NASCO. For example, the USA, which has only recreational salmon fisheries, and where catch and release is now mandatory, makes no catch-related contribution to NASCO. There might be a case for including some element to take account of catch and release since there must be a mortality associated with it. For example, at temperatures of 20°C or above, ICES has indicated that this could be in the region of 8-40% for grilse. The mortality is likely to be highly variable depending on conditions, how the fish are handled and other factors, and in some circumstances

may be negligible. Catch and release allows the continued flow of economic benefits from angling whilst contributing to conservation. It would be possible to include some element for catch and release in the "nominal catches" used to calculate the contributions if the Council decided that this was desirable. However, non-catch fishing mortality, i.e. mortality generated directly or indirectly by fishing, which is not included in the catches, is not restricted to fishing by rod and line, so it might be argued that an adjustment should be made for all gear types. ICES has indicated that most sources of non-catch fishing mortality associated with salmon fishing gear are low (0-10%) but highly variable.

Summary of Options

15. It appears that, without making amendments to the Convention, there is no flexibility for addressing Iceland's concerns about the effects on contributions of the reduction in the number of NASCO Parties and the effects of compensation payments for not fishing quotas.
16. With regard to the issues of exclusion of ranched fish, inclusion of unreported catches and inclusion of an element for catch and release, there could possibly be flexibility to address these concerns, without amendments to the Convention, through an agreement on what is meant by the term "nominal catches".
17. The Council has, since 1993, agreed a Minimum Standard for Catch Statistics. This standard includes ranched fish, refers only to fish which are retained, and excludes unreported catches, though it requires that steps be taken to minimise unreported catches. If the Council considers that the Minimum Standard is, in effect, the definition of "nominal catches", then there is little flexibility unless the Minimum Standard is itself changed. If the Council considers that the Minimum Standard is not the same as "nominal catches", then the "nominal catches" could conceivably be differently defined. However, other internationally agreed definitions of "nominal catches", e.g. that of FAO, accord with the NASCO Minimum Standard.
18. In summary the Council is asked to consider whether it would be justifiable to:
 - (a) exclude ranched fish from the "nominal catches" used to calculate the contributions;
 - (b) include unreported catches in the "nominal catches" used to calculate the contributions;
 - (c) include an agreed proportion of fish caught and then released in recreational fisheries in the "nominal catches" used to calculate the contributions.

In Annex 1 we have attempted to summarise the implications of each of these options on the contributions of the Parties. In practice, the budgets proposed by the Secretary have shown reductions in real terms for over a decade, and this has probably saved all Parties more than any change in calculation of contributions.

Secretary
Edinburgh
17 April, 2000

Impact of Icelandic Proposals on Contributions to NASCO

1. *Exclusion of Ranched Fish*

If the Council agreed to the Icelandic proposal to exclude ranched salmon from the catches used to calculate the contributions the impact on the 2000 budget contributions would have been as follows:

Iceland	-£3,021
Other Parties	£0 to +£1,302

Note: The catch figures used are the official statistics provided to NASCO by the Parties for 1998. The figures for ranched salmon are from the 1999 ICES Working Group report and include information from EU (Ireland and Northern Ireland), Iceland and Norway. These figures for ranched salmon have been deducted from the official catch in the above calculation.

2. *Inclusion of Unreported Catch*

We do not have a breakdown of unreported catch by Party although we do expect to have this information this year. If the Council agreed to the Icelandic proposal to include unreported catches in the catch used to calculate the contributions, the impact on the 2000 budget contributions would have been as follows:

Iceland	- £5,330
Other Parties	£0 to +£2,843

Note: Iceland has previously indicated to the Finance and Administration Committee that it has "practically no unreported catch" and the ICES Working Group assume zero unreported catch for Iceland in their models to estimate pre-fishery abundance. The guess-estimate of unreported catches for 1998 of 1,210 tonnes has been included in the catches used to calculate the contributions to the 2000 budget in proportion to the declared 1998 catch. For Iceland the unreported catch has been assumed to be zero.

3. *Catch and Release*

Information on the number of salmon which were caught and subsequently released during the 1998 angling seasons are available in the ICES Working Group report for Canada, EU (England and Wales, and Scotland), Iceland, Russia and the USA. For all other Parties it is assumed that there is no catch and release. If the Council agreed to the Icelandic proposal to include an element for catch and release in the catches used to calculate the contributions, the impact on the 2000 budget contributions would have been as follows:

Iceland	-£335
Other Parties (each)	-£3,178 to +£5,267

Note: The assumption has been made that ISW or "small salmon" weigh 3 kg, and MSW or "large salmon" weigh 5 kg. Where no breakdown by sea age is available a weight of 4 kg has been used. It has been assumed that there is a mortality of one third of fish which are caught and released and this proportion has been added to the official catch statistics.

