

MARINE STEWARDSHIP COUNCIL

Policy Advisory

Policy Advisory 8: Guidance on Certificate Sharing Mechanisms
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Documents Supplemented or Modified by this Advisory

MSC Scheme Document	Status Change
Policy Advisory 8 (v1)	Superseded

Background

TAB Directive D-010 version 2, released in tandem with this Policy Advisory, requires clients to publish a 'certificate sharing mechanism' in cases where 'other eligible fishers' are identified and covered by a fishery assessment. Such mechanisms define the arrangements by which other eligible fishers may gain access to the fishery certificate, if and when the fishery is certified. Certificate sharing mechanisms developed in existing MSC fisheries have included a range of different arrangements including the provision of free access to the certificate providing that on-going surveillance costs:

- are shared equitably with all participants;
- are met through the payment of a landing levy; and/or
- are shared and all product bearing a logo is marketed through the certificate holder.

Clearly it would not be feasible to outline all potential cost sharing mechanisms. MSC also recognises the role of individual fishery clients in devising mechanisms that are appropriate to their particular circumstances. Guided by the feedback received from certification bodies, fishery clients and others during the August to October 2008 consultation on this topic, the MSC Board of Trustees agreed in January 2009 not to require any formal, mandatory arrangements for the development of certificate sharing mechanisms. The guidance in this Policy Advisory is thus provided, not as firm 'direction', but rather as suggestions to clients and their potential partners for their use and/or inclusion in any certificate sharing mechanisms developed to comply with TAB Directive D-010 v2.

Intent

The intent of this advisory is to guide MSC fishery clients in developing certificate sharing mechanisms that provide for reasonable and equitable access to other eligible fishers.

Guidance on certificate sharing mechanisms

Where the basis for a client allowing access to a certificate is to seek some proportional reimbursement of the initial costs paid either as a one off payment or as an ongoing cost sharing mechanism, the following guidance is offered as to how these costs could be calculated.

Allowable costs may include the following:

- the direct costs paid to a CB;
- the direct costs incurred by the client in managing or facilitating the assessment;
- the cost of the client's time incurred in managing or facilitating the assessment process; and,
- a risk premium, up to a maximum of 20% of the other assessment costs.

If additional costs to those identified above are included in the proposed certificate sharing mechanism, these must be documented and justified in any and all communication regarding the proposed sharing mechanism.

Allowable costs would not be expected to include any grant or subsidy made to the client to cover the costs incurred during the assessment, except where a proportion of such grants or subsidies are subsequently repaid.

The direct costs and the time costs incurred by the client in managing or facilitating the assessment may either be costed directly from the client's accounts or charged as a simple overhead rate.

Where the direct and time costs are to be estimated from the client's accounts, full details will be made available to other fishers seeking to gain entry to the certificate via the CB. If audited accounts detailing these costs are required the other eligible fishers will pay the costs incurred in conducting such audits. The cost of the client's time will be based on the earnings records for the individuals involved and time inputs recorded and substantiated by the client.

Where the client's direct and time costs are to be estimated according to an overhead rate, this rate should not exceed 30% of the fees paid to the CB. In this case, the following formula is suggested for calculating the overall cost to be shared:

$$(\text{Costs} * \text{Overhead}) * \text{Risk Premium}$$

Where the rates for the overhead and risk premium are set at the proposed upper limits of 30% and 20% respectively, the overall cost would be calculated from the formula as:

$$((\text{direct cost paid to CB less any cost paid for a consultant}) * 1.3) * 1.2$$

Costs (both for entry and maintenance to the certificate, including the fulfilment of conditions) would be apportioned to the new entrant(s) seeking certification in accordance to the mechanism. Examples could include, but are not limited to a pro rata sharing of costs based on:

- the number of vessels (or operators), processing or marketing entities seeking entry as a proportion of those documented as originally included in the unit of certification;
- the quota held by the new vessel(s) (or operators), processing or marketing entities seeking entry, as a proportion of those documented as originally included in the unit of certification; or
- the increase in fishing power of the new vessel(s) (or operators) or processing or marketing capacity seeking entry, as a proportion of those documented as originally included in the unit of certification.

In the event that additional fishers, processing or marketing entities seek to join the certificate after an initial and successful certificate sharing negotiation a rebate may be due to those that joined the certificate previously. Alternatively, potential costs may be apportioned between all of the fishers that are potentially eligible to share the certificate, and payments made by sub-sets of fishers only in proportion to their share of the overall costs (thus avoiding the need for rebates if other fishers join later). Such mechanisms will be detailed in the cost sharing mechanism informing stakeholders that an assessment is to be undertaken.

ENDS