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CAB/734/DV

2008-03-29

INTERNATIONAL ELECTROTECHNICAL COMMISSION

CONFORMITY ASSESSMENT BOARD (CAB)

SUBJECT

Budget of the IECEx for 2009, for CAB approval

BACKGROUND

Following circulation of the initial draft 2009 IECEx Budget, document ExMC/420/CD, there were no objections or concerns raised, with comments in support from various members.

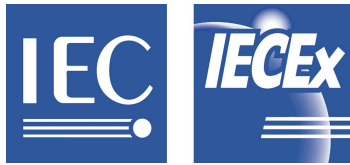
Separate to the budget, comments were received from NO, FI and SE requesting a review of the reliance on annual fees compared to the certificate fees be considered as part of the preparation of the 3-year budget forecast for 2010, 2011 and 2012, that will be considered during the next ExMC meeting in Paris September 2008. A proposal for this will be forwarded to members in due time prior to the meeting.

The 2009 draft budget, document ExMC/420/CD, was therefore issued without any change, in line with the approval procedures, for formal voting by ExMC Members.

The draft 2009 IECEx budget was approved by ExMC. The Secretariat received 1 negative vote with the comment to be submitted for discussion during the Paris 2008 meeting.

ACTION

The members of the CAB are invited to approve the IECEx Budget for 2009, by using the automatic voting system on the IEC Technical Server **by 2008-04-20**.



**INTERNATIONAL ELECTROTECHNICAL COMMISSION
IEC SCHEME FOR CERTIFICATION TO STANDARDS RELATING TO EQUIPMENT
FOR USE IN EXPLOSIVE ATMOSPHERES (IECEx SCHEME)**

For Consideration by Members of the IECEx Management Committee, ExMC

Initial Draft Budget 2009

Introductory Note

During the Denver 2007 ExMC Meeting, members noted the need to have the 2009 Draft budget approved via correspondence during March 2008 (refer to item 19.4 of ExMC/413A/RM confirmed minutes). To assist members we are providing an initial draft, this document, ONLY for comment at this stage, prior to issuing a formal draft 2009 budget for Members approval. This initial draft includes a record of the accounts for 2007 as finalized by the IEC Finance Department and reviewed by the IECEx Treasurer and Secretary. A copy of the formal auditors report will be issued once available, as is usual practice and should be available in line with circulation of a formal draft 2009 budget for agreement by members, prior to submission to CAB.

This initial draft budget takes into account growth in the IECEx Scheme concerning the certification of equipment and introduction of the new IECEx Certified Service Facilities Scheme.

Refer to Table on Page 6 for total of all Countries, ExCBs and ExTLs taken into account in the preparation of this Draft budget.

This initial draft budget is submitted to ExMC Members for initial consideration and comments. Any comments on this initial draft are required to be submitted to the Secretary and copy to the Treasurer, Mr Berger E-mail: heinz.berger@certiconsult.ch by **18 February 2008**, following which a final draft 2009 budget will be prepared and re-issued to members for final voting, via correspondence.

In addition and in line with the decisions taken during the 2007 ExMC Denver meeting, a three year forecasted budget is currently being developed by the Treasurer and Secretary for discussion during the Paris 2008 ExMC meeting.

To further assist Members, Notes have been included for each line item.

Should you have any questions at this stage, please feel free to contact the Secretary.

Chris Agius – Secretary ExMC

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Initial Draft IECEX BUDGET 2009

	INCOME	2007 Account CHF	2008 Approved Budget CHF	2008 Forecast CHF	2009 Proposed Budget CHF
6000	National Dues	191,500	206,750	206,750	221,000
6020	Application Fees	21,000	10,000	12,000	20,000
6110	Publications (Include IECEX Bulletin)	7,360	9,250	9,000	7,500
6200	Interest, Miscellaneous	1648	750	2,000	2,000
6400	Certificate Fee Equipment Program	195,125	205,000	205,000	266,500
	Certificate Fee Surcharges	12,500	included in Certificate Fee	included in Certificate Fee	included in Certificate Fee
6900	Other Income	10,004	10,000	10,000	10,000
XXXX	Certificate Fee - Services Program (new)	Not applicable in 2007	10,000	10,000	20,000
YYYY	Assessment Fees Administration	800	0	500	1,000
ZZZZ	IECEX Mark Fees	Not applicable in 2007	0	0	15,000
	Total	439,937	451,750	455,250	563,000
	Surplus/(Deficit) end of year	121,140			
	Surplus/(Deficit) TOTAL General Reserve , year end (CHF 155,120 at end 2006)	276,260 (at end 2007)			

	EXPENDITURE	CHF	CHF	CHF	CHF
40000	Personnel Costs (Salaries, Insurance + Pensions) – Total	196,799	280,000	280,000	308,000
47100	Office Equipment + Stationery	541	5,000	5,000	5,500
47200	Serviced Office facilities providing: Rent, Heating, Cleaning, Computer equipment with IT support, fax and general communication	13,000	13,000	13,000	25,000
47900	Miscellaneous, legal audit	5,788	6,000	6,000	6,000
47920	Website Maintenance and Development	5,733	5,000	5,000	5,500
48000	Publicity + Promotion	0	15,000	15,000	25,000
49000	Travel + Meeting Expenses	53,048	60,000	60,000	70,000
48500	<u>Resources for special projects</u>	43,888	30,000	30,000	36,000
	Total Operating Costs		414,000	414,000	481,000
50000	Portion allocated to build IECEX Reserves	Included in Annual Surplus	37,750	37,750	82,000
	Total Expenditure	318,797	451,750	446,750	563,000

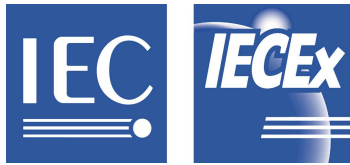
Number of member countries

26

27

27

27



Member countries:

AU, CA, CH, CN, CZ, DE, DK, FI, FR, HU, IT, IN, JP, KR, NL, NO, NZ, RO, RU, SE, SI, SG, UK/GB, US, YU, ZA, PL

New Countries expected in 2009: Strong indication from 2 new countries has been received, (MY and BR) indicating their intension to join IECEx. These may in fact join in 2008.

Notes to the Draft Budget 2009:

1. Summary:

The 2009 initial Draft Budget proposes a 24% overall increase for Income compared to an overall increase of 16% in Operating Costs, with the difference (CHF 82'000) being allocated to expenditure item 50000 as portion allocated to build general reserves, along with any additional surplus beyond this.

Growth in income is predicted due to the following areas::

- Growth of the IECEx 02 Certified Equipment Program, noting also expansion of the Ex Standards produced by IEC TC 31.
- Introduction of the new IECEx 03 – Service Facilities Program, introduced late in 2007 and given the positive reception from the oil and gas industries, who now are on record supporting this new program.
- Introduction of the new IECEx Conformity Mark System

The above major factors plus continuing rate of growth in the issuing of IECEx Test Reports (ExTRs), Quality Assessment Reports (QARs) and IECEx Certificates of Conformity (CoCs), for while a rate of growth in the order of 100% has been enjoyed over for the past years, a more conservation approach is being applied to the estimated growth. However, of course, it should be noted that IECEx is still largely developing into new areas and services.

Strong demonstrated support for the IECEx Scheme, especially in the Service Facilities area, by Ex Equipment Users, e.g. Oil and Gas companies is stimulating demand for IECEx Certification in the services sectors.

2. IECEx CoC Charge:

The 2009 Draft budget proposes to continue with the previous IECEx strategy to reduce the burden on annual fees, by way of a User Pay system through the Certificate of Conformity (CoC) fee introduced in 2005, with the same levels retained for 2008. While there are varying views suggesting a rise in the Certificate fees, No increase in the Fee is currently proposed:

Certificate Fees currently remain as follows:

a) Certified Equipment Program:

- CHF 250 per new certificate
- CHF 125 per change issue of an existing Certificate

b) Certified Service Facility Program:

- CHF 1'000 fee for year 1 of certification
- CHF 500 fee for each year thereafter



In addition, ExMC will consider an appropriate fee schedule for the IECEx Conformity Mark License system, during the 2008 ExMC meeting..

3. Item 6000:

Annual dues have not increased since **2001**. It is therefore proposed that annual dues remain the same as 2008, noting no increase of the past **8 years**, representing a reduction in real terms due to increased services and inflation. However as part of the move towards a user pay system the National Member fee can be reduced once the reserves are built up to a sufficient level, noting that due to the CHF 121'140 surplus for 2007, the general reserves at the end of 2007 climbed to CHF 276'260. When allowing for an additional CHF 37'750 (2008 budget item 50000) and CHF 82'000 (2009 budget item 50000), the general reserve is expected to be CHF 396'000 at end 2009. This is about **82%** of the Total Operating Costs proposed in the initial draft 2009 budget. The 2009 initial draft budget proposes a dedicated CHF 82'000 contribution to the general reserves, which will be included with any surplus.

While PL have formally advised of their intension to join IECEx and are in the process of completing their application (at 1 February 2008), MY and BR have also informed of their intension to join BUT the 2009 annual dues do not take these into account as IECEx continues to apply a conservative approach to financial management.

4 Item 6020

Application fees expected from new countries and new ExCBs and ExTLs (for both IECEx 02 Equipment Program and IECEx 03 Services Program)

5 Item 6110

Reduction expected due to decline of sales of new 2008 edition of Bulletin which should be purchased mainly during 2008.

6 Item 6400

Increased income of 30% from increased certificate issue (30% based on actual figures of January 08 comparison with January 07. Also refer to Item 2 above.

7 Item 6900

Other income consistent with past years and includes re-imburements of Secretariat costs to attend certain events/seminars

8 Item XXXX

Expected income from new Services Program, as fees commence 1 Jan 2008.

9 Item YYYY

Administration Fee for the Secretariat to manage Assessment Fees as part of the IECEx controlling/monitoring the costs of ExCB and ExTL assessments.

10 Item ZZZZ

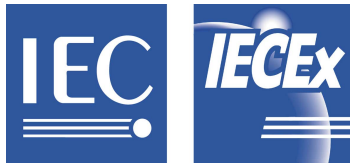
Expected income from Mark Licensing System, as fees introduced from Jan 2009

11 Other items 6xxx:

Remark 1: Application Fees for New Countries proposed to maintain the levels set during 2005 and detailed in Operational Document OD 019 and below:

Country	CHF 4'000
ExCB	CHF 3'000 (each)
ExTL	CHF 3'000 (each)

Application fees are considered as a contribution to the system by new members in recognition of the long standing financial contributions by existing IECEx Members.



Remark: Refer to current OD 019 concerning all other charges including surcharges from manufacturers from non-IECEX Member Countries.

12. Item 40000:

Expected increase of Personnel related costs of 10% above 2008 costs

13 Item 47100

About consistent with previous years budgets

14 Item 47200

Expected additional costs as the Lease agreement for Sydney Secretariat office is renewed during 2008. Noting that existing lease expires June 2008 and was previously established as sponsorship of the IECEX Scheme by SAI Global. The CHF 25K is a more realistic commercial basis

15 Item 47900

About consistent with previous years budgets

16 Item 47920

About consistent with previous years budgets

17 Item 48000

To cater for scheme growth and the need to increase promotion

18 Item 49000

Planned increase to cater for general commercial increase in travel costs of the Secretariat including expected additional travel to include:

- IECEX Committee meetings, including WGs
- Attending CAB meetings and related on behalf of IECEX
- Travel for promotional events and IECEX related Conferences

Where possible, travel of the Secretariat is coordinated with that of IECQ to share in travel costs in line with the direction of Central Office.

19 Item 48500

About consistent with previous years budgets but also allowing for growth

20 Item 50000

Due to expected increase in certificate fees a greater portion is allocated to build the general reserve. The plan being to build a general reserve to cover at least 1 year expense and aim for further growth

IECEX BUDGET 2009 – Amount of national dues - Notes:

- Figures for Country, ExCBs and ExTLs are based on On-Line Document OD 001 (version Jan. 2008). ExCBs + ExTLs include both accepted and candidate Bodies, as per established practise.
- A member country pays the dues for at least 1 ExCB and 1 ExTL this applies even when they are not yet defined or even when there are no applicant or accepted ExCB or ExTL in that country.
- The Total dues per country (last column) will be invoiced to the national Member Body, unless the Member Body informs the Secretariat and Treasurer of alternative arrangements.

	Country	Number of ExCBs	Number of ExTLs	Number of ExCBs*	Dues split			
					National share	Each ExCB (IECEX 02 & 03)	Each ExTL	Due per country
Amount in CHF					3'500	1'250	1'000	--
Shows locations of additional Bodies in 2008								
1	AU	3	4	2	3,500	6250	4000	13,750
2	CA	2	3		3,500	2500	3000	9,000
3	CN	1	4		3,500	1250	4000	8,750
4	CZ	1	1		3,500	1250	1000	5,750
5	DK	1	1		3,500	1250	1000	5,750
6	FI	1	1		3,500	1250	1000	5,750
6	FR	2	2	2	3,500	5000	2000	10,500
8	DE	7	8	2	3,500	11250	8000	22,750
9	GB	5	5	2	3,500	8750	5000	17,250
10	HU	1	1		3,500	1250	1000	5,750
11	IN	1	2		3,500	1250	2000	6,750
12	IT	1	1		3,500	1250	1000	5,750
13	JP	1	1		3,500	1250	1000	5,750
14	KR	3	3		3,500	3750	3000	10,250
15	NL	1	1	1	3,500	2500	1000	7,000
16	NO	2	2	1	3,500	3750	2000	9,250
17	NZ	1	1		3,500	1250	1000	5,750
18	PL	1	1		3,500	1250	1000	5,750
19	RO	1	1		3,500	1250	1000	5,750
20	RU	1	1		3,500	1250	1000	5,750
21	SI	1	1	1	3,500	2500	1000	7,000
22	SG	1	1		3,500	1250	1000	5,750
23	ZA	2	2		3,500	2500	2000	8,000
24	SE	1	1		3,500	1250	1000	5,750
25	CH	1	1		3,500	1250	1000	5,750
26	US	3	3		3,500	3750	3000	10,250
27	YU	1	1		3,500	1250	1000	5,750
Total columns		47	54	11	94,500	72,500	54,000	221,000