ExMC/513/CD
February 2009

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

Title: Updated Draft 2010 IECEx Budget, for submission to CAB

Circulated to: IECEx Management Committee, ExMC

INTRODUCTION

During the Paris 2008 meeting of the IECEx Management Committee, ExMC, document ExMC/471A/CD (Draft Forecasted 2010 and 2011 Budgets) was approved for 2010 with minor changes, as detailed in ExMC confirmed minutes ExMC/496A/RM, item 20.3.

These changes include:

- Reduction to the IECEx Member Body annual fee
- Increase of the Certificate fee for the Equipment Certification Scheme to CHF 350 for new certificates only.

As also reported during the Paris ExMC 2008 meeting, new IEC procedures for the approval of Finances (accounts and budgets) for all activities of the Commission were introduced requiring the finalizing of next years IEC System's budgets by end of March for submission to CAB. This is outlined in CAB/768/Inf.

While ExMC have effectively approved a Draft 2010 budget for submission to CAB for approval, the Secretary and Treasurer have updated the draft 2010 contained in ExMC/471A/CD in light of

- The ExMC agreed changes, from the Paris 2008 meeting
- The 2008 final end of year figures, as finalized by the IEC external auditors
- The inclusion of new Member Countries, noting that 5 new countries joined in 2008
- The current world economic environment

As the auditors report on the 2008 accounts is not yet available and to assist IECEx Members, Colum A to the Table in Annex A has been provided to show the end of year figures for 2008. These figures have been reviewed and approved by the IEC external auditors, during February 2009.

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IECEx maintains prudent financial management which includes constant review of income versus expenditure, during the operational year, to ensure that income levels are maintained and any downward adjustments in expenditure are made should income levels fall below budget predictions.

Given that the updating of the Paris ExMC approved 2010 draft budget includes minimal changes the Secretariat and Treasurer provide this document for a final review by ExMC Members.

Therefore please feel free to contact me by **25 March 2009,** should you have any questions or objections to the final updated version, following which the draft budget will be forwarded for final approval by the IEC Conformity Assessment Board (CAB).

In addition I would mention that, as agreed during the Paris ExMC meeting a draft Business Plan is currently being prepared with the intent of having this circulated in time for discussion at the Melbourne 2009 ExMC meeting.

Chris Agius

IECEx Secretariat

Notes to the Draft Budget:

Overview:
The prudent financial management of the IECEx has resulted in IECEx achieving and maintaining a solid and sound financial position.

The past 4 years alone have resulted in an average annual surplus of **21%** of the annual Income generated with the IECEx General Reserve at end of 2008 now at **CHF 389'550.78**

The management and control over IECEx operational expenditure has resulted in IECEx continuing with its pleasing result of again seeing that for 2008 IECEx operating expenditure was kept below 2008 budget. A copy of the auditors report of the 2008 IECEx Accounts will be circulated to Members, once available.

The previous IECEx decision to move more towards a user pay system via certificate fees have resulted in **zero** increase to annual fees for the past **9 years** with a small **decrease** approved by the IECEx Management Committee for inclusion in the draft budget 2010.

While industry does accept the user pay system via certificate fees, there is an industry expectation that the IECEx Schemes continue to be supported by prompt and professional service with a solid technical base.

While the IECEx Equipment Scheme, of the IECEx System, is now entering its 6th year of operation, the issuing of Certificates maintains healthy annual growth rates with figures at end of January 2009 continuing this trend. While this trend continues, even into January and February 2009, a flattening out of this growth rate during late 2009 early 2010, is factored into the Draft 2010 budget in recognition of the world economic situation, even though there are no indications of this at present.

The ExMC Paris 2008 decision to increase the certificate fee is expected to off set any possible decline in certificate issue growth rate, if this does occur, as well as to cover the decrease in annual Member Body Fee.

The new IECEx Certified Service Scheme, eg Ex Repair and Overhaul, commenced in late 2007, continues to develop a market position with increasing interest from industry, especially the oil and gas sector.

The recently approved IECEx Certified Persons Scheme, while expected to be operational later 2009, a minimal contribution to income is included in the draft 2010 Budget with no significant reliance on income from this new Scheme.

Despite the IECEx growth and newly available Schemes and the increasing industry support and involvement in IECEx management, IECEx continues to apply a prudent and conservative approach to its finances, especially in relying on income, in light of current world economic climate.

Therefore in summary the 2010 Draft Budget, (Colum E of Annex A), proposes:

- A Total income of CHF 656,000
- A Total Operating costs of CHF 601,300
- A planned contribution to the IECEx General reserve of CHF 54,700, noting that while CHF 37,750 was allocated to the general reserve for 2008, the end of year result for 2008 actually achieved a surplus and contribution to general reserve of **CHF 113,290.75** (more than 3 times the amount included in the 2008 budget prediction)

The increased operating costs for 2010 relate largely to the possible appointment of an additional resource to cater for increased Secretariat workload arising from the new IECEx Schemes, eg Certified Service Facilities and Certified Persons Scheme plus growth in the existing Certified Equipment Scheme, with interest in the use of ISO Standards applicable to the Ex field and the

introduction of IEC Standards covering non electrical Ex equipment, re new IEC SC 31M Technical Committee.

The notes below detail the individual budget items.

General Note

During the Paris 2008 IECEx meeting, the IECEx Management Committee, ExMC, considered and agreed to a forecasted 2010 draft budget, document ExMC/471A/CD with minor changes as detailed in the Confirmed minutes, ExMC/496A/RM. These changes include:

- Annual Fee for Member Body Component reduced by CHF 500 to CHF 3'000
- Equipment Certificate Fee, new Certificates increased from CHF 250 to CHF 350
- No change to Certificate Fee for Additional Issues of Certificates

Following the Paris ExMC meeting, the Draft forecasted 2010 budget of ExMC/471A/CD has been updated to reflect both the above agreed changes along with the new Member Countries joining late 2008. Annex A to this document contains the updated 2010 budget, with **Colum E** the final proposed 2010 budget.

The following additional Colums to Annex A are provided for additional information:-

Colum A = 2008 IECEx end of year results, as reviewed and audited by IEC external auditors
Colum B = 2009 Approved Budget
Colum C = 2009 Forecast (as at February 2009)
Colum D = Draft Forecast 2010 as presented in ExMC/471A/CD and considered during the 2008 ExMC Paris meeting

During the updating of the draft 2010 budget, the opportunity was also taken to reconsider some items in light of the current world economic environment as well as the final 2008 end of year figures, as reviewed by the Treasurer, Secretary and IEC Finance Department and auditors.

As the 2010 Draft Budget is being prepared at the beginning of 2009, the actual end of year figures for 2008 are used as a guide to develop this Draft 2010 budget along with the Approved 2009 Budget.

A complete report with audited 2008 accounts, once available, will be circulated to ExMC and presented to the IEC ExMC meeting in August/September and then at the 2009 IEC GM, CAB meeting.

1. Income

1.1 Item 6000 (National dues)
CHF 234,000 is budgeted in accordance with 2009 Forecast and takes into account the following 5 new countries to join IECEx in 2008

Malaysia (MY), Poland (PL), Turkey (TR), Croatia (HR), Brazil (BR)

While there is interest from other countries and Certification Bodies to join IECEx, in 2009, the draft 2010 budget does not rely on this income. Income received from additional membership is planned to be added to the contribution to the IECEx General Reserve.

Annex B provides a detailed breakdown of the calculation of annual dues, noting that annual dues arising from ExCB participation in the new IECEx Certified Persons Scheme is not relied on for 2010.

Annual fees from this new scheme, once operational, will be added to item 50000 “Contribution to the General Reserve”.

Given the ExMC decision to increase Certificate fees a modest reduction in annual fees to Member Bodies was approved by ExMC, during the Paris 2009 meeting.

The CHF 500 reduction in annual fess represents a **9th consecutive** year of no increase in annual fees.

1.2 Item 6020 (Application Fees)
While the 2009 Approved budget provides for CHF 20,000 a proposed reduction to CHF 12’000 is now included in the Draft 2010 Budget., in recognition of the current world economic climate. These fees are expected to come from new ExCBs noting interest surrounding the 2 new IECEx Schemes, covering Services and Personnel. Application fees are a one-off fee and considered as a contribution in recognition of other IECEx Members that have been paying annual fees and their participation to develop the IECEx Scheme to its current position.

1.3 Item 6110 (Sales of publications)
While the 2009 ExMC meeting approved a CHF 10,000 allocation, a proposed reduction to CHF 7’500 is included in recognition of the current world economic climate.

1.4 6400 + 6010 + 6410 + BBBB (Certificate fees)
A figure consistent with that of actual number of certificates issued in 2008, noting that certificate fees have now increased from CHF 250 per certificate to CHF 350 for certificates issued under the IECEx Certified Equipment Scheme.

Certificate fee surcharge applies to manufacturers located in IECEx non Member countries.

A modest CHF 15000 is included for the new IECEx Certified Persons Scheme, noting the new scheme commencing in 2009.

Any additional amounts beyond this figure will be used as additional contribution to the IECEx general reserve.

1.5 Item 6200 (Interest)
While CHF 5’000 was included in the forecasted budget of ExMC/471A/CD, this is now revised down due to the general reduction in world interest rates.

1.6 Item 6900 (Other Income)
This amount is revised down from the amount included in the ExMC approved forecasted budget of ExMC/471A/CD, as considered during the 2008 IECEx Paris meeting in light of the world economic situation.

1.7 Item 6950 (Assessment fees)
This amount covers the administration fee for the processing of invoicing of IECEx Assessments and re-assessments of ExCBs and ExTLs. There is a CHF 50 Invoice fee charged for processing invoices from assessments.

2. Expenditure Summary
The Operating expenditure proposed is in accordance with the forecasted budget of ExMC/471A/CD, approved during the 2008 IECEx Paris meeting and caters to the increase in activities and demands

arising from increased IECEx Membership and demands for its services, in line with the areas mentioned under Overview, above.

In line with prudent financial management, the budget is subjected to constant on-going review during the operational year, noting that provision is made for downward adjustment of certain items should income levels fall below budget predictions.

2.1 Item 40000 Personnel costs
Covers the cost of engagement of Secretariat personnel, eg salaries, pensions, insurance etc. The increase included in the forecasted 2010 budget of ExMC/471A/CD, approved during the 2008 IECEx Paris meeting caters for the appointment of an additional resource during 2010

The final appointment of additional resources will be reviewed in light of actual results of 2009, however is included in here for 2010 budgeting purposes.

2.2 Item 47100 (Office Equipment)
This increase is to cater to equipment required for the new resource but again, will depend on the end of year figures for 2009, but are included here for 2010 budgeting purposes.

2.3 Items 47200 (Rent of the IECEx Secretariat Office)
This covers the leasing of the IEC Sydney office of the IECEx Secretariat and is a single charge covering the provision of a serviced office. This single fee covers rent, cleaning, computers, telecommunications, lighting and power, use of meeting facilities etc. The amount is consistent with the 2009 Approved Budget.

2.4 Item 47900 (Misc Legal and audit)
This is fairly static no significant increase is expected.

2.5 Item 47920 (Website maintenance)
While consistant with past years a modest increase of CHF 1'650 above 2009 Approved budget is included to cover any possible additional costs.

2.6 Items 48000 (Publicity and Promotion)
While CHF 32'500 was included in the forecasted budget of ExMC/471A/CD as considered during the 2008 Paris ExMC meeting, this has subsequently been revised down to the level of the 2009 Approved Budget, in light of the world economic situation.

2.7 Item 49000 (Travel and Meeting expenses)
Travel and meeting costs are consistent with the forecasted budget of ExMC/471A/CD as approved during the 2008 Paris ExMC and while an increase to the 2009 Approved budget, this will be regularly monitored and reviewed in light of results during the operational year and end of 2009 figures.

Travel and meeting costs are associated with travel and accommodation of the Secretariat staff and also meeting costs where applicable.

Secretariat travel associated with

- 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, eg attendance at CAB meetings (2 per year) plus CAB WG meetings.

2.8 Item 48500 (Resources for Special Projects)
Allocation for Resources for special projects. This is reviewed constantly and also in light of 2009 annual results.

2.9 Item 50000 (Contribution to the IECEx General Reserve)
Portion allocated to build the general reserve. The plan being to build a general reserve to cover at least +1 year expense has now been achieved with aim for further growth.

At end 2008 the IECEx General Reserve stands at **CHF 389'550.78**

CHF 54'700 is proposed as a contribution to the IECEx General Reserves for 2010.

Annex A: Proposed 2010 budget for the IECEx (Colum E)
Annex B: Breakdown of annual dues

Annex A – Draft 2010 IECEx Budget

		A	B	C	D	E
	INCOME	**2008 End of Year Figures CHF**	**2009 Approved Budget CHF**	**2009 Forecast CHF**	**2010 Draft ExMC/471A/CD Considered in Paris**	**2010 Proposed updated Budget CHF**
6000	National Dues	**211,250.00**	221,000	234,000	216,000	234,000
6020	Other Fess (Application Fees)	**12,000.00**	20,000	20,000	26,000	12,000
6110	Publications (Include IECEx Bulletin)	**5,751.00**	7,500	7,500	10,000	7,500
6200	Interest, Miscellaneous	**2,506.10**	2,000	2,500	5,000	3,000
6400	Certificate Fee Equipment Scheme	**252,125.00**	266,500	260,000	350,000	350,000
6010	Certificate Fee Surcharges	**17,000.00**	included in Certificate Fee	included in Certificate Fee	included in Certificate Fee	included in Certificate Fee
6900	Other Income	**0.00**	10,000	10,000	13,000	3,000
6410	Certificate Fee Services Scheme	included in 6400	20,000	20,000	26,000	20,000
BBBB	Certificate Fee Certified Persons Scheme	New scheme not operational in 2008	New scheme - not operational in 2008	New scheme - approved Nov 2008	New scheme - approved Nov 2008	15,000
6950	Assessment Fees Administration	**450.00**	1,000	1,000	1,500	1,500
ZZZZ	IECEx Mark Fees	Not applicable in 2008	15,000	0	20,000	10,000
	Total Income	**501,082.10**	**563,000**	**555,000**	**667,500**	**656,000**

	EXPENDITURE	**CHF**	**CHF**	**CHF**	**CHF**	**CHF**
40000	Personnel Costs (Salaries, Insurance + Pensions) – Total	**276,027.00**	308,000	308,000	400,400	400,000
47100	Office Equipment + Stationery	**1,863.00**	5,500	5,000	7,150	7,150
47200	Serviced Office facilities providing: Rent, Heating, Cleaning, Computer equipment with IT support, etc	**24,900.00**	25,000	25,000	25,000	25,000
47900 47901	Miscellaneous, legal audit	**5,488.45**	6,000	6,000	7,800	7,000
47920	Website Maintenance and Develop.	**4,013.00**	5,500	5,000	7,150	7,150
48000 48001	Publicity + Promotion	**11,264.00**	25,000	15,000	32,500	25,000
49000	Travel + Meeting Expenses	**52,754.00**	70,000	70,000	91,000	90,000
48500	Resources for special projects	**10,605.00**	36,000	30,000	40,000	40,000
49500	Extraordinary expense	**876.90**	0	0	0	0
	Total Operating Costs	**387,791.35**	**481,000**	**464,000**	**611,000**	**601,300**
50000	Portion allocated to build IECEx Reserves		82,000		56,500.00	54,700
	Total	**387,791.35**	**563,000**	**464,000**	**667,500**	**656,000**
	Surplus / Deficit for the year	**+113'290.75**				
	General Reserve at year end (2008)	**389'550.78**				

Annex B - Annual Dues Split – Calculator (All Figures in CHF)

	Country	Number ExCBs	Number ExTLs	Number ExCBs*	Number ExCBs	Dues Split			
		IECEx 02 Equipment	IECEx 02	IECEx 03 Services	IECEx 05 Persons	National share	Each ExCB	Each ExTL	Total due per country
				Amount		**3,000**	**1,250**	**1,000**	**--**
1	AU	3	4	2		**3,000**	*6250*	*4000*	13,250
2	BR	1	1			**3,000**	*1250*	*1000*	5,250
3	CA	2	3			**3,000**	*2500*	*3000*	8,500
4	CN	1	4			**3,000**	*1250*	*4000*	8,250
5	CZ	1	1			**3,000**	*1250*	*1000*	5,250
6	DK	1	1			**3,000**	*1250*	*1000*	5,250
7	FI	1	1			**3,000**	*1250*	*1000*	5,250
8	FR	2	2	2		**3,000**	*5000*	*2000*	10,000
9	DE	7	8	2		**3,000**	*11250*	*8000*	22,250
10	GB	6	6	2		**3,000**	*10000*	*6000*	19,000
11	HR	1	1			**3,000**	*1250*	*1000*	5,250
12	HU	1	1			**3,000**	*1250*	*1000*	5,250
13	IN	1	3			**3,000**	*1250*	*3000*	7,250
14	IT	2	2			**3,000**	*2500*	*2000*	7,500
15	JP	1	1			**3,000**	*1250*	*1000*	5,250
16	KR	3	3			**3,000**	*3750*	*3000*	9,750
17	MY	1	1			**3,000**	*1,250*	*1,000*	5,250
18	NL	1	1	1		**3,000**	*2500*	*1000*	6,500
19	NO	2	2	1		**3,000**	*3750*	*2000*	8,750
20	NZ	1	1			**3,000**	*1250*	*1000*	5,250
21	PL	1	1			**3,000**	*1,250*	*1,000*	5,250
22	RO	1	1			**3,000**	*1250*	*1000*	5,250
23	RU	1	1			**3,000**	*1250*	*1000*	5,250
24	SI	1	1			**3,000**	*1250*	*1000*	5,250
25	SG	1	1	1		**3,000**	*2500*	*1000*	6,500
26	ZA	1	1			**3,000**	*1250*	*1000*	5,250
27	SE	1	1			**3,000**	*1250*	*1000*	5,250
28	TR	1	1			**3,000**	*1250*	*1000*	5,250
29	CH	1	1			**3,000**	*1250*	*1000*	5,250
30	US	4	4			**3,000**	*5000*	*4000*	12,000
31	YU	1	1			**3,000**	*1250*	*1000*	5,250
Total		53	61	11	Not relied on	**93,000**	**80,000**	**61,000**	**234,000**

Shows countries joined in 2008