



THE NEW CALCULATION BASIS FOR THE EIO CONTRIBUTION

CALCULATION OF THE CONTRIBUTIONS

1. The information is based on an IS document (copied into the the Assessable Income Estimate Excel document as the second sheet: 'Assessable Income Recalculation IS', just for completeness) that gives the new assessable income base for 2010 (column F, yellow) and gives the old assessable income base for 2009 (column K, blue). Based on this, the percentage value of the old assessment level compared to the new system (column S, green) was calculated. This gives a conversion rate to calculate what assessable income with deductions would have looked if the same basis were applied this year. This seems like the only reasonable way to find out what sections would have declared this year, if the old system would have continued.

2. On the first sheet ("Calculation of contribution"), this year's agreed 1.55% was calculated. You will find there:

- a. in column E (blue), the new assessable income figures for 2010,
- b. in column F (green), the percentage of that that sections would have declared on the basis of the old system
- c. in column G (yellow), the result of that calculation in the old system with deductibles (note that this does make the assumption that sections apply the same deductions overall every year.... this is not strictly true, of course, the figure used was just the one used last time).

3. The result in column G was then used for the calculation of the contributions for 2012, thus making the assumption that the old system would still be continued (with an average over 2 years and putting the new members in at half rate). The rate used was the agreed 1.55%. The annual contribution derived from this can be found in column M (lilac) and the total is 1.478.000.

4. For the future, a calculation was made to convert the present 1.55% into in the new assessment system (column N, orange). The total amount remains the same, of course: 1.478.000. This, under the new system (based on 1 year, and with far fewer deductions), it would represent 1.24% of assessable income as it is today. It is therefore proposed that in future, as we step into line with the new system, the 1.55% is to be changed into 1.24%. This is the translation of the EDF October 2010 decision into the new system of A2D as it stands today.

A few other points:

1. The exchange rates used are the 2010 average exchange rates for the 2010 figures, as that is what the IS now is doing in the new system. (It used to be set at 1 July in the past).
2. IMPORTANT: The IS have pointed out that these figures still are not final. That is why the word estimate still is there. The final figures are expected before the EDF meeting and will of course be made available at that time. It is understood that there may as yet be some changes in the actual figures for individual sections.

CONSEQUENCES OF THE CONVERSION

The conversion from the old system to the new one presents some serious effects, some of which only were brought up after the Steering Committee held in October. The Steering Committee, however, will try to come up with a proposal on how to handle these effects, in order to help making the transition for sections which will see a considerable impact with the new system.

The figures for each section as they stand, both in the old system and in the new system, vary significantly from the contributions for this year (column J).

Old System (column M - lilac)

The variations are considerable for some sections due to different growth rates in the different sections.

New System (column P – grey)

Here, the effects of different growth rates are compounded with the effects of the reduction of deductibles in the new assessment system. Moreover, the international system provides for a transition period to ease the sections from their present contribution level to the 40% level. This is not the case in the proposal for the ERS budget, simply because we are not proposing to raise the overall level of contributions in the future (1.24%), while still applying the new system.

This poses the question to the EDF on how to handle the transition to the new system in a way that does not create unnecessary stresses on budgets of sections who may already be stretched due to present conditions. You will be informed as soon as possible of any proposals to deal with this.

