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HAGUE UNION BUDGET FLEXIBILITY FORMULA

Document prepared by the International Bureau

I. INTRODUCTION

1. In 1989, the Assembly of the Hague Union adopted the mechanism that is currently applied to adjust the Hague Union budget to variations in the demand for services rendered under the Hague system. That mechanism is based on a flexibility formula that takes into account increase or decrease in demand as compared to demand forecast in the budget for the biennium, and was applied for the first time in the context of the implementation of the Program and Budget for 1990-1991¹.

2. The initial formula provided for the adjustment (upwards or downwards) of one post in the budget of the Hague Union for each variation of 640 international registrations and/or renewals recorded by the International Bureau.

3. The formula was revised in 1993 and 2001 to take due account of efficiency gains, automation and the increased complexity of certain tasks performed by the International Bureau under the procedures of the Hague system.

¹ See documents H/A/X/1 and AB/XX/2.

4. The current formula (as revised in 2001) provides for the adjustment of one post for each variation of 600 international registrations and/or renewals recorded by the International Bureau and applies only to posts allocated directly to the operation of the International Industrial Design Registry.

Rationale and Operation of the Flexibility Formula

5. The flexibility formula operates as a simple adjustment mechanism which allows the International Bureau to react rapidly to significant changes in demand for services within a given budget exercise (i.e., a given biennium), without having to wait until a revised Program and Budget is approved. Thus, whenever there is a rapid increase in demand, the application of the formula serves to avoid the creation of backlogs.

6. The flexibility formula for the Hague Union measures variations in demand in terms of registrations and/or renewals. However, the formula takes into account not only the work required in respect of the recording of registrations and renewals as such, but also the work done by the International Bureau when providing other services under the Hague system, including those relating to refusals of protection, changes to existing registrations (such as cancellations, changes in ownership, changes in the name or address of the holder or representative) and the issuing of extracts and certificates.

7. The flexibility formula provides for adjustments in the number of posts assigned to the administrative unit directly in charge of the operation of the International Industrial Design Registry (currently the International Registrations Department).

The Need to Adopt a New Flexibility Formula

8. The current flexibility formula has served its purpose for many years, providing for a reasonable increase in the number of posts whenever the workload increase exceeded the forecast, and for an equivalent reduction of posts if the workload was lower than forecast². However, it is a relatively rigid mechanism in that it links demand only to posts. It does not, for example, allow the International Bureau to use other resources such as personnel under short-term contracts or outsourcing, to cope with additional demand. In the case of decreased demand, it may prove difficult for the administration to suppress existing posts before they become vacant.

9. Taking into account the need to provide for a more flexible approach in this area, a new methodology to calculate and apply the flexibility formula for the Hague Union is proposed in the following paragraphs.

² See paragraph 33 of the External Auditor's Report to the Assemblies of the Member States of WIPO for the 2004-2005 biennium.

II. NEW FLEXIBILITY FORMULA FOR THE HAGUE UNION BUDGET

10. The new flexibility formula should continue to allow for adjustments of the Hague Union budget (upwards or downwards) within a given budget exercise (biennium) based on variations in demand. However, instead of providing for adjustments in the number of posts, the new formula would provide for adjustments in the amount of financial resources allocated to the programs directly involved in the processing of the resulting workload. Those resources may be used either for personnel related expenditure (e.g., allocation of posts, recruitment of employees under short-term contracts or Special Service Agreements) or non personnel expenditure (e.g., outsourcing contracts).

11. The new flexibility formula has been arrived at, based on the methodology described in the Annex to this document. As in the current formula, variations in demand are measured in terms of registrations and renewals as a means of representing the overall workload of the International Bureau under the Hague system registration procedures (see paragraph 6, above). To calculate the required resources, the new formula takes into account not only the tasks that are specific to the administration of the International Industrial Design Registry, but also support tasks that are handled by common services within WIPO.

12. It is proposed that the new flexibility formula, based on the methodology described in the Annex, be applied as from the 2008/09 biennium. The formula shall provide for an adjustment (upwards or downwards) of the Hague Union budget of an amount of 99,024 Swiss francs for each variation of 300 registrations and/or renewals recorded in the Hague Union Registry in the biennium as compared to the estimates made in the approved Program and Budget. That adjustment shall be allocated to the administration of the Hague Union Registry and support services at a ratio of 87.5% to 12.5%, respectively.

13. The Assembly is invited to take note of the methodology described in the Annex and approve the new flexibility formula for the budget of the Hague Union proposed in paragraphs 10 to 12, above.

[Annex follows]

ANNEX

METHODOLOGY FOR THE CALCULATION OF THE FLEXIBILITY FORMULA FOR
THE HAGUE UNION

Introduction

1. The formula measures variations in demand in terms of registrations and renewals as a means of representing the overall workload of the International Bureau under the Hague system registration procedures, including workload related to services other than registrations and renewals (such as, the processing of refusals, cancellations, changes in ownership, changes in the name or addresses of the holder or representative, and the issuing of extracts and certificates).
2. The formula takes into account the amount of resources required to handle that workload, including the resources allocated to the administration of the International Industrial Design Registry and support services.
3. The values for the new flexibility formula are based on the estimated figures given in the proposed Program and Budget for 2008/09.

Estimated Demand for Services in 2008/09

4. The table below shows actual demand for 2006 and estimated demand for the years 2007 to 2009.

Hague Operations	2006	2007 estimates	%	2008 estimates	%	2009 estimates	%
International Registrations	1,143	1,150	0.6%	2,600	126.1%	3,600	38.5%
Renewals	3,889	4,000	2.9%	3,200	-20.0%	2,600	18.8%
Total Registrations and Renewals	5,032	5,150	2.3%	5,800	12.6%	6,200	6.9%
Refusals and Modifications	2,417	2,500	3.4%	2,700	8.0%	3,700	37.0%
Extracts	1,002	1,000	-0.2%	1,100	10.0%	1,500	36.4%
Total number of operations	8,451	8,650	2.4%	9,600	11.0%	11,400	18.8%

Estimated Fee Income for 2008/09

5. The table below shows the estimated number of registrations and renewals and the expected fee income.

Volumes	2008/09	Variation over 2006/07
Registrations	6,200	170.39%
Renewals	5,800	-26.48%
Registrations + Renewals	12,000	17.86%
Fee Income (,000 Swiss francs)	7,056	43.12%
Average Fee (Swiss francs)	588	21.44%

Resources Allocated in the Proposed Program and Budget for 2008/09

6. The resources required to handle the registration workload under the Hague system comprise both: (i) personnel and non-personnel resources that are specific to the administration of the International Industrial Design Registry, allocated to Program 18 (Madrid, Hague and Lisbon Registration Systems) and, (ii) a portion of the resources allocated to common services under other programs.

(a) International Industrial Design Registry within Program 18

7. Personnel resources serving the administration of the Hague system represent 7.8% of personnel resources allocated to Program 18 ($47.266 \times 0.078 = 3.687$ million Swiss francs), the remainder corresponding to the administration of the Madrid and Lisbon systems.

8. For the purposes of the flexibility formula, only the employees directly involved in registration activities (operations) are taken into account. They represent 80% of the total cost of personnel serving the administration of the Hague system ($3.687 \times 0.80 = 2.950$ million Swiss francs).

9. Accordingly, the cost of personnel resources per registration/renewal under Program 18 is estimated at 245.83 Swiss francs (2.950 million Swiss francs / 12,000 registrations and/or renewals).

10. Non-personnel resources allocated to the Hague system registration activities (operations) under Program 18 include contractual services (e.g., outsourcing of scanning and data entry tasks), operating expenses (such as mailing costs), equipment and supplies for an amount of 516,000 Swiss francs.

11. Accordingly, the cost of non-personnel resources per registration/renewal under Program 18 is estimated at 43 Swiss francs (516,000 Swiss francs / 12,000 registrations and/or renewals).

12. The overall amount of resources required to handle the Hague system registration workload under Program 18, including both personnel and non-personnel resources is, therefore, estimated at 3.466 million Swiss francs (2.950 + 516). Consequently, the processing cost per registration/renewal under Program 18 is estimated at 288.83 Swiss francs (245.83 + 43 = 288.83).

(b) Common Services

13. Common services within WIPO give support to the Hague system registration activities in areas such as finance checking, human resource management and procurement. Their contribution is estimated to represent 12.5% of the total resources allocated to handle the Hague system registration activities (or some 495,000 Swiss francs). This is the equivalent of 41.25 Swiss francs per registration/renewal (495,000 Swiss francs / 12,000 registrations and/or renewals).

Unit Cost per Transaction (Registration or Renewal)

14. The unit cost per registration/renewal under the Hague system in 2008/09 is estimated at 330.08 Swiss francs. This figure is based on the cost of personnel and non-personnel resources directly involved in industrial design registration activities under Program 18 (245.83 + 43.00 = 288.83 Swiss francs) plus support costs under other programs (41.25 Swiss francs). As indicated above, Program 18 and support services are estimated to account for 87.5% and 12.5% of the unit cost, respectively.

15. For every 300 registrations and/or renewals, the processing cost is therefore estimated at 99,024 Swiss francs (300 x 330.08).

The Flexibility Formula

16. Based on the above methodology, the flexibility formula would provide for an adjustment (upwards or downwards) of the Hague Union budget of an amount of 99,024 Swiss francs for each variation of 300 registrations and/or renewals recorded by the International Bureau within the biennium.

17. The table below shows how the new flexibility formula would work in 2008/09.

Flexibility Formula for Hague Union	2008/09	
Income per registration/renewal (Swiss francs)	588	
Cost per registration renewal (Swiss francs)	330.08	
Increase/Decrease in registrations + renewals	300	
Increase/Decrease in income (Swiss francs)	176,400	
Increase/Decrease in resources (Swiss francs)	99,024	
allocated to:		Weight
Hague Union Registry	86,646	87.5%
Common Services	12,378	12.5%

[End of Annex and of document]