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WORKING GROUP ON BUDGETARY QUESTIONS

First Session

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BUDGETARY REQUIREMENTS OF THE INTERNATIONAL BUREAU

Memorandum prepared by the International Bureau

BACKGROUND

1. For the seventh session (November 1 to 8, 1976) of the PCT Interim Advisory Committee for Administrative Questions (hereinafter referred to as "the Interim Committee"), the International Bureau prepared a memorandum, dated September 15, 1976, bearing the number PCT/AAQ/VII/12 and entitled "Preliminary study of the staff, equipment and budgetary requirements of the International Bureau in the year before and in the first year of effective operation of the Patent Cooperation Treaty (PCT)" (hereinafter referred to as "the Preliminary Study of September 1976").

2. The Interim Committee, at its session referred to above, held only a general discussion of the subject covered in the Preliminary Study of September 1976, and decided to set up the present Working Group ("PCT Working Group on Budgetary Questions," hereinafter referred to as "this Working Group") "for the purposes of assisting in the preparation of a study on the budgetary questions connected with the implementation of the PCT in an initial period" (see document PCT/AAQ/VII/19, paragraph 159). Concerning the composition of this Working Group, the Interim Committee decided that it would be open to all those States members of the Interim Committee which, by December 1, 1976, should express the wish to be its members. The following States expressed such a desire and are thus members of this Working Group: Austria, Brazil, France, Germany (Federal Republic of), Japan, Netherlands, Soviet Union, Sweden, Switzerland, United Kingdom and United States of America (11).

3. The Chairman of the Interim Committee, summarizing the discussions that took place in that Committee, defined the terms of reference of this Working Group as follows:

- "(i) the study is to be extended in time (to a total of three years of initial operation of the PCT) in order to show, if possible, when a break-even point can be reached;
- "(ii) the Working Group should direct the study to finding means to bring about the break-even point as early as possible;
- "(iii) the principle that costs are to be covered by corresponding revenues should be applied as far as possible to all items of the PCT budget;
- "(iv) the financing of any deficits in the first years of operation should be envisaged on the basis of contributions of Contracting States and of States other than Contracting States presently contributing to the PCT Interim Program; in other words, a mixed contribution system should be envisaged;

- "(v) estimates of income and expenditure should include variants, for example, they should be based alternatively on the assumption that 1,500 or 2,500 international applications would be filed during the first year of operation;
- "(vi) the study by the Working Group would be carried out on the basis of the existing document (PCT/AAQ/VII/12) and, additionally, on any supplementary document which would be prepared by the International Bureau with respect to the indications received during the present session."

(see document PCT/AAQ/VII/19, paragraph 167)

THE PRESENT DOCUMENT

4. The present document is the supplementary document referred to in item (vi) of the terms of reference of this Working Group. It deals with the beginning of what is called in the Preliminary Study of 1976 the "operational period," that is, the period starting (presumably) nine months after the deposit of that instrument of ratification of or accession to the PCT which will bring the PCT into effect. Instead of dealing with the first year of that period (as did the Preliminary Study of 1976) or with the first three years of that period (as the terms of reference of this Working Group ask for), it deals with a period whose length is undefined in time but which extends at least until that point in time at which--under different assumptions made in this document as to the income of the International Bureau derived from the fees and the sale of the publications under the PCT--such income will cover the expenditure of the International Bureau under the PCT, that is, to that point in time at which the PCT will be "self-supporting" as far as the International Bureau is concerned. This point in time, naturally, will also mark the end of the period for which States have to pay contributions. In other words, the present document is intended to establish a basis for the consideration of item (ii) of the terms of reference of this Working Group, which calls for "finding means to bring about the break-even point as early as possible."

5. The terms of reference of this Working Group also mention "that costs are to be covered by corresponding revenues" and that this principle "should be applied as far as possible to all items of the PCT budget" (see document PCT/AAQ/VII/19, paragraph 167(iii)). It was not found practical to try to cover the cost of each act performed or each publication produced by the International Bureau by a corresponding revenue since certain acts or publications serve a variety of purposes and the distribution of the cost among such purposes would be quite arbitrary. For example, the front page of the pamphlet containing the published international application will also be frequently reproduced in the main entries of the Gazette. In what proportion should then the cost of the establishment of such front pages be allotted to the pamphlets and in what proportion to the Gazette? Instead, it seemed to be more practical to consider the costs as a whole and the revenues as a whole, the more so since the break-even point of all costs and all revenues is what is important. What good would it be for the States if, for example, the price of the pamphlets were so established that it covered the cost of their production when, at the same time, the cost of checking the international applications for certain possible formal defects continued to burden the States and did so in the form of contributions towards the budget of the PCT?

6. The terms of reference of this Working Group also state that the "estimates of income and expenditure should include variants, for example, they should be based alternatively on the assumption that 1,500 to 2,500 international applications would be filed during the first year of operation" (see document PCT/AAQ/VII/19, paragraph 167(v)). The present study takes a great number of variants into account. For example, as far as the number of international applications filed in a year is concerned, the variants go from 1,000 to 10,000 (see Annex I).

7. The present document consists of four parts dealing, respectively, with:

- expenditure (paragraphs 10 to 12),
- income (paragraph 13),
- difference between expenditure and income (paragraphs 14 to 17),
- financing of the initial deficit (paragraphs 18 to 28).

8. It also contains two Annexes dealing, respectively, with:
- the estimated budget for each of the following numbers of international applications in any calendar year: 1,000, 2,000, 3,000, 4,000, 5,000, 6,000, 7,000, 8,000, 9,000 and 10,000 (Annex I),
 - an example of how the deficit could be financed by contributions by States, assuming that the first three operational years will show deficits (Annex II).
9. This document also contains four Tables (I, II, III and IV) showing the break-even point of expenditure and income under ten different hypotheses.

EXPENDITURE

10. Part A of Annex I to this document contains an estimate of the yearly expenses of the International Bureau where, in a given calendar year, the number of the international applications filed and received by the International Bureau is 1,000, 2,000, 3,000, 4,000, 5,000, 6,000, 7,000, 8,000, 9,000 or 10,000. Although some of the costs connected with most international applications arise after the calendar year in which they are filed, the "total expenditure" amounts shown in Annex I also include those costs as if they arose in the same year. This has been done because, without too much distortion to reality*, it simplifies consideration of the questions before this Working Group, particularly those related to the proper level of fees and of amounts charged for pamphlets and the Gazette to achieve a break-even point, which can only be considered if the expenditure related to a particular number of applications is clearly identified. It has also been done because, in any period during which actual expenditure is less than the funds available to meet the budgeted expenditure (that is, during which there is a surplus), a small reserve could be constituted. Furthermore, after the first year, the expenditure in any given year will include the delayed expenditure from the preceding year.

11. The estimates of expenditure appearing in Part A of Annex I and in all other parts of this memorandum are based on the level of costs (particularly salary scales and printing tariffs) foreseen for 1978**. Naturally, in later years, if costs go up, expenditures will increase but if the fees and publication prices are raised accordingly, the income will rise in the same proportion, and the relation between estimated expenditure and cost will remain the same. Nevertheless, in estimating the deficit in the initial period of operation of the PCT, a small inflation coefficient has been taken into account in estimating expenditure without assuming an increase in fees and publication prices, having regard to the desirability of maintaining stability in that period and assuming that inflation will be at the low level (4% per annum) for which provision has been made.

12. The estimates of expenditure are based on a number of assumptions--all important--which are indicated either in the notes accompanying Part A of Annex I or hereinbelow:

- (i) The pamphlets publishing the international applications will be reproduced, as far as the front page is concerned, from a page which will be typed in the International Bureau; as far as the pages containing the claims, description and drawings are concerned (subject to minor exceptions), from the copy as filed by the applicant; and, as far as the international search report is concerned, mostly from pages which are transmitted by the International Searching Authority to the International Bureau. The offset reproduction itself will be done by an outside printer in Switzerland. This method of proceeding, although not yielding the optimal result from the viewpoint of legibility and volume of paper produced (since printing from composed--that is, from typeset--text would occupy less space and would be, in certain cases, more legible) is certainly by far the most economical method of producing material of acceptable legibility. Printing the pamphlet from composed text (by computerized photocomposition or otherwise) is estimated to be almost twice as costly as by the method indicated above, even in the case of text matter in the Latin alphabet.

* This is considered to be so since part of the income connected with the same applications is also realized after (rather than during) the calendar year of filing, and the amounts of the "delayed" expenditure and the "delayed" income are almost the same.

** estimated on the basis of the WIPO triennial budget for 1977 to 1979, except for printing tariffs.

For text matter in the Cyrillic alphabet, the cost would be about three times as great, while for text matter in Japanese characters it would be even greater. Should budgetary considerations later allow such methods of printing, the question should be reconsidered.

- (ii) The Gazette will reproduce, on each of its A4 size pages on which front pages are reproduced, the front pages of two pamphlets. Consequently, they will be reduced to half their original size.
- (iii) The pamphlets will be reproduced in 150 copies and the Gazette in 2,000 copies in its English edition and in 500 copies in its French edition with sufficient additional copies for dispatch to International Searching and Preliminary Examining Authorities and to national Offices under PCT Rule 87.

INCOME

13. Part B of Annex I to this document contains an estimate of the yearly income of the International Bureau under the same hypotheses as indicated for the expenditure part (paragraphs 10 to 12 above), the assumptions indicated in the notes accompanying the said Line B and the following assumptions:

- (i) the basic fee (PCT Rule 15.2(a)(i)) will be 500 Swiss francs,
- (ii) the designation fee (PCT Rule 15.2(b)(i)) will be 135 Swiss francs and the number of designations will average three,
- (iii) each copy of a pamphlet will be sold for 10 Swiss francs and each pamphlet will be sold in 100 copies,
- (iv) the yearly subscription fee of the Gazette will be 500 Swiss francs and there will be 2,500 subscribers,
- (v) the postage of the pamphlets and Gazettes other than the free copies provided under PCT Rule 87 will be in addition to the price indicated above; it is included neither in the expenditure (the postage item in Annex I pertains to the said free copies only) nor in the income.

DIFFERENCE BETWEEN EXPENDITURE AND INCOME

14. Part C of Annex I to this document shows the difference between the estimated income and the estimated expenditure under the assumptions referred to in paragraphs 10 to 13, above. It shows that the break-even point would be reached in a year in which the number of international applications would be approximately 2,300.

15. It is obvious that practice may show that the estimates differ more or less from reality. Income is particularly difficult to estimate since it is uncertain in how many copies each pamphlet will be sold and how many subscribers the Gazette will have, and yet the income from these two sources is estimated to represent between one half and two thirds of the total income.

16. When, seven years ago, the amounts of the fees were written in the PCT Regulations, the basic fee was fixed at US\$ 45.00 or 194 Swiss francs (today, 194 Swiss francs represent US\$ 79.00), the designation fee at US\$ 12.00 or 52 Swiss francs (today, 52 Swiss francs represent US\$ 21.00). Raising, in Swiss francs, those fees to somewhat more than double after seven years of severe inflation, that is, to 500 and 135 Swiss francs, respectively, would seem to be acceptable, particularly if one considers that the international search fee and the international preliminary examination fee will probably be very much higher. It may be noted that under the Madrid (Marks) Agreement the basic fee has been fixed at 580 Swiss francs and the supplementary and complementary fee at 58 Swiss francs as from April 1, 1977, while according to the latest information available to the International Bureau, the fees (expressed in Swiss francs) in the future European Patent Office may be the following: filing fee 430 Swiss francs, designation fee 180 Swiss francs, search fee 1,320 Swiss francs and examination fee 1,560 Swiss francs (document CI/220/76, Annex X).

17. Nevertheless, in order to show where the break-even points would be under other hypotheses as well, a number of tables have been prepared, as indicated below. In the following, "basic assumptions" mean that the basic fee is 500 Swiss francs, the designation fee is 135 Swiss francs, the pamphlet is sold in 100 copies

for 10 Swiss francs each and the yearly subscription fee of the Gazette--sold in 2,500 copies--is 500 Swiss francs:

Table I shows the basic assumptions and also lower pamphlet prices, namely 6 and 8 (instead of 10) Swiss francs; with 10 Swiss francs, the break-even point is at 2,300 applications; with 8 Swiss francs, at 4,000 applications; with 6 Swiss francs, at 9,500 applications.

Table II shows lower fees than in the basic assumptions, namely 350 (instead of 500) Swiss francs as basic fee and 95 (instead of 135) Swiss francs as designation fee, and three different pamphlet prices (6, 8 and 10 Swiss francs); with 10 Swiss francs, the break-even point is at 6,500 applications; with 8 Swiss francs and 6 Swiss francs, there is no break-even point.

Table III also shows fees lower than the basic assumptions but higher than those shown in Table II; namely, it shows a basic fee of 400 (instead of 500 or 350) Swiss francs and a designation fee of 100 (instead of 135 or 95) Swiss francs; furthermore, this Table also shows three different pamphlet prices (6, 8 and 10 Swiss francs); with 10 Swiss francs, the break-even point is at 4,500 applications; with 8 Swiss francs, the break-even point is, at 10,000 applications; with 6 Swiss francs, there is no break-even point.

Table IV shows fees both higher and lower than in the basic assumptions (namely, 650 and 350, instead of 500, Swiss francs as basic fee; 175 and 95, instead of 135, Swiss francs as designation fee); it is based on the same Gazette price (500 Swiss francs) as in the basic assumptions but on a lower pamphlet price (8 instead of 10 Swiss francs) than in the basic assumptions; the break-even point with the higher fees (650 and 175 Swiss francs) is at about 2,000 applications; with the basic assumptions for fees (500 and 135 Swiss francs) it is at 4,000 applications; with the lower fees (350 and 95 Swiss francs), it is far beyond 10,000 applications.

FINANCING OF THE INITIAL DEFICIT

18. Since it is likely that in the first years the number of international applications will be under 2,000 and that the income from the sale of publications (i.e., pamphlets and Gazettes) will take a considerable time to build up to the levels assumed in Annex I, the finances of the PCT will show a deficit during the first years after its becoming operational. (During what the Preliminary Study of 1976 calls the preliminary period, that is, the year preceding PCT's becoming operational, there will be--as is the situation now--only expenses and no income.) Should the PCT become operational during (rather than on January 1 of) a given year (this calendar year is probably going to be 1978), that calendar year will certainly show a substantial deficit since, from the beginning of that year or earlier, most of the staff must undergo training and stand ready for processing the international applications but the number of international applications will be small.

19. It is proposed that, as from the beginning of 1978, most of the staff necessary for the processing of 1,000 international applications per year be employed (this would mean, as far as concerns staff working exclusively for the PCT, an increase from the present 8 to a total of 14) and that the budget of 1978 be based on the assumption that the PCT will be operational from July 1, 1978. If this proposal is followed, the estimated expenditure and income set out below (on the basis of the basic assumptions for fees and publication prices; see paragraph 17, above) would arise for the year 1978. An estimate of the expenditure and income is also given for 1979 and 1980.

Estimated Deficits of PCT in Period 1978 to 1980

20. The figures given for expenditure, income and deficits are in thousands of Swiss francs.

1978

Preliminary period, i.e., period of preparation for handling applications at the rate of 1,000 per year when the operational period starts. For the

purpose of the calculations made below, this period is taken as being from January 1 to June 30, 1978:

	<u>Swiss</u> <u>francs</u>	<u>Swiss</u> <u>francs</u>
Expenditure in this period would be half of the expenditure in Annex I for 1,000 applications, i.e., 3662 divided by 2		1,831
further reduced by:		
- 75% of the translation costs for half a year		- 86
- the whole of the photocopying costs for half a year		- 8
- the whole of the cost of pamphlet printing for half a year		- 193
- the estimated mailing and postage costs for pamphlets for half a year		- 20
Total estimated expenditure: 1978--1st half		<u>1,524</u>
 <u>Operational period: July 1 to December 31, 1978:</u>		
Half of the total expenditure in Annex I for 1,000 applications		1,831
 <u>Preliminary and Operational period:</u>		
<u>Total estimated expenditure</u> for the whole of 1978		<u>3,355</u>
<u>Less income</u> (2nd half of 1978 only):		
- International fees for, say 250 applications (basic fee 500 francs, designation fee 135 francs, three designations)	226	
- Pamphlet sales of, say 2,000, copies at a price of 10 francs per copy	20	
- Gazettes subscriptions of, say 100, at 500 francs per subscription	50	296
		<u>3,059</u>
		=====
 <u>1979</u>		
Estimated expenditure on the basis of 1,000 applications as per Annex I		3,662
+ 4% inflation factor		146
		<u>3,808</u>
Less income:		
- International fees (basic and designation) as per Annex I	910	
- Pamphlet sales of, say 50 copies of 500 pamphlets at a price of 10 francs per copy	250	
- Gazettes subscriptions of, say 800 subscriptions at 500 francs per subscription	400	1,560
		<u>2,248</u>
		=====
		<u>2,248</u>
		=====

<u>1980</u>	<u>Swiss francs</u>	<u>Swiss francs</u>
Estimated expenditure on the basis of 2,000 applications as per Annex I		4,978
+ 4% inflation factor ((1979) 4% + (1980) 4%)		406
		<hr/> 5,384
Less income:		
- International fees (basic and designation) as per Annex I	1,820	
- Pamphlet sales of, say 75 copies of 1,500 pamphlets at a price of 10 francs per copy	1,125	
- Gazettes subscriptions of, say 1,600 subscriptions at 500 francs per subscription	800	3,745
		<hr/> 1,639
DEFICIT FOR 1980		=====
TOTAL DEFICITS FOR 1978 TO 1980		6,946 =====

21. It is further estimated that, by 1981, the deficits would disappear, since it is assumed that, with rising numbers of international applications being filed, a level of 2,300 international applications would have then been reached and that the sales of pamphlets and Gazettes would reach the levels estimated in Annex I.

22. Naturally, the correctness of the statements contained in the preceding paragraphs depends on many yet uncertain and unpredictable factors, among which are the following: the date of entry into force of the PCT, the amount of the fees and prices fixed by the Assembly of the PCT, the evolution of salaries and prices, the number of international applications per year, the size of the market for the pamphlets and the Gazette, etc.

23. As to the financing of any deficit, the PCT contains, in Article 57(5), the following rules:

- "(a) Should any financial year close with a deficit, the Contracting States shall, subject to the provisions of subparagraphs (b) and (c), pay contributions to cover such deficits.
- "(b) The amount of the contribution of each Contracting State shall be decided by the Assembly with due regard to the number of international applications which has emanated from each of them in the relevant year.
- "(c) If other means of provisionally covering any deficit or any part thereof are secured, the Assembly may decide that such deficit be carried forward and that the Contracting States should not be asked to pay contributions."

24. The PCT provides for the institution of a working capital fund (PCT Article 57(7) and the obligation of Switzerland to grant advances (PCT Article 57(8)).

25. It is believed that the above rules were adopted for the case of a PCT already in normal operation which exceptionally has a deficit but not for the first years of the PCT when a deficit is certain and unavoidable. This belief is based on the fact that in the first years the membership of the PCT will be far from complete and it would only be equitable to require that not only the States which have actually become members but also those States which are likely to become members of the PCT Union participate in the financing of the initial deficit; otherwise, one would penalize the States which through their diligence caused the entry into effect of the PCT.

26. This view is also that of the Interim Committee which concluded that "the financing of any deficits in the first years of operation should be envisaged on the basis of contributions of Contracting States and of States other than Contracting States presently contributing to the PCT Interim Program; in other words, a mixed contribution system should be envisaged" (see document PCT/AAQ/VII/19, paragraph 167(iv)).

27. As a basis for discussion in this Working Group, the following principles are proposed for a mixed system of financing the initial deficit which, according to the calculation given in paragraph 20, above, would in the three-year period of 1978 to 1980, amount to some 7 million Swiss francs:

Principle No. 1: All countries at present making contributions (i.e., the countries included in the relevant recommendation of the Executive Committee of the Paris Union for 1977 plus Spain) will, for each of the 3 years 1978, 1979 and 1980 pay a total of 1,795,000 Swiss francs, as "basic" contributions. This is the amount which has been tentatively shown for 1978 in the triennial budget (document AB/VII/2, page 19). It will remain the same for 1979 and 1980. It will be distributed among the said countries according to the same principles as have been applied to the PCT contributions for 1977 and prior years but according to the 1975 statistics.

Principle No. 2: For each of the said 3 years, a "supplementary" contribution, totalling 500,000 francs for each year, will be paid by those countries which will have deposited their instrument of ratification of or accession to the PCT prior to July 1 of the year concerned. These 500,000 francs will be distributed among the countries concerned provisionally in the same proportion as there is between the numbers of their outgoing applications as shown in the WIPO statistics for the year 1975, but ultimately in accordance with principle No. 5, below.

Principle No. 3: If a country that is not in the list of basic contributors becomes a Contracting State, it will have to pay an amount which will be the same as the contribution of a State which, having the same statistical parameters, has to pay under principles Nos. 1 and 2 above. (The calculation will be made with the necessary extrapolations). Such obligation will start for the year in which the State deposited its instrument of ratification or accession if it is deposited during the first half of the year, and it will start from the subsequent year if the said instrument is deposited during the second half of that year. Since the number of countries falling into this category will probably be very small, if not nil, their contributions will be additional to (and will not diminish) the contributions of the countries covered by principles Nos. 1 and 2.

Principle No. 4: Authority will be given to the International Bureau to contract loans to cover the deficiency in funds available to meet its expenditure in any year. On the basis of the assumptions and estimates referred to in paragraphs 19 and 20, above, such a deficiency would exist only in 1978 and would amount to around 1,000,000 francs and could be covered by the budget of 1980.

Principle No. 5: Once the break-even point is reached, the supplementary contributions will be recalculated in proportion to the total number of international applications emanating from the Contracting States during the period supplementary contributions were paid (international applications filed with a national Office being regarded as "emanating" from the State of which that Office is the national Office, and international applications filed with a regional Office being regarded as "emanating" from the State of the applicant's residence). Any Contracting State which has paid supplementary contributions totalling more than its recalculated share will receive a corresponding refund and those States which have paid less will be required to make a corresponding additional payment.

Principle No. 6: The above principles will apply for 1978, 1979 and 1980. Even during that period, the financial situation will be reviewed at least once a year and necessary adjustment will be proposed. Should deficits continue beyond 1980, a modification of the principles will be proposed in time.

28. An example contained in Annex II illustrates the application of the principles described in the preceding paragraph.

29. The main advantage of the proposed system is that all those States which do not become bound by the PCT during the three-year period will have to pay only those amounts which result from the tentative figures indicated in the 1978 budget and that they would have to pay less in 1979 and 1980 than what would have resulted from the tentative figures given in the 1979 budget and what could have been expected for 1980. In other words, there is no surprise, except an agreeable one. As far as those States are concerned, which become bound by the PCT during the three year period, the increase

would be a very modest one (amounting to the distribution of the 500,000 francs per year). An advantage for all States is that the total amount would remain the same for each of the three years and would only slightly vary for each State (namely, in respect of the distribution of the yearly 500,000 francs, which will depend on the identity of the actual member States). Of course, a price would have to be paid for those advantages and that, is that at least for the first year, part of the deficit would have to be covered by a loan.

30. This Working Group is invited to consider the present memorandum and to assist the International Bureau in the continuation of its work in relation to PCT budgetary requirements by providing its advice thereon.

[The Annexes and the Tables follow]

BUDGET ESTIMATES
(in thousands of Swiss francs)

Number of International Applications received by the International Bureau during a given calendar year	1000		2000		3000		4000		5000		6000		7000		8000		9000		10000	
	same year	next year	same next	next year	same year	next year	same year	next year	same year	next year	same year	next year	same year	next year	same year	next year	same year	next year	same year	next year
Expenditure or income arising in the same or in the next year * (1)																				
A. EXPENDITURE:																				
[Number of staff members exclusively working for PCT]	[14]		[19]		[25]		[31]		[37]		[42]		[45]		[54]		[57]		[62]	
Legal + Technical Services (staff) (2) (4)	944	-	944	-	944	-	944	-	944	-	944	-	944	-	944	-	944	-	944	-
Clerical Operations (staff) (3) (4) (5)	126	58	252	117	378	175	504	233	630	291	756	350	882	408	1008	466	1134	525	1265	583
Translation (staff):																				
for pamphlet and Gazette (6) (7)	101	65	203	130	304	194	405	259	506	324	608	388	709	453	810	518	912	583	1013	648
for Gazette general notices (8)	64	-	64	-	64	-	64	-	64	-	64	-	64	-	64	-	64	-	64	-
Photocopying (Art. 20 + Rule 17):																				
Staff cost (4) (9)	2	2	4	4	6	5	8	7	10	9	11	10	13	12	15	14	17	16	19	18
Machine costs (10)	7	6	14	12	20	19	27	25	34	31	41	37	47	44	54	50	61	56	68	62
Pamphlet and Gazette (staff): (4)																				
typing, proofreading, mounting (11)	8	18	16	36	24	54	32	71	40	89	48	107	56	125	65	143	73	161	81	179
fixed part of Gazette (12)	1	1	1	2	1	3	1	3	2	4	2	5	3	6	3	7	3	8	4	8
editor (13)	-	-	-	-	-	-	-	-	33	33	33	33	33	33	33	33	33	33	33	33
publishing + sales (14)	33	33	33	33	67	67	67	67	100	100	100	100	100	100	134	134	134	134	134	134
mailing (single orders) (15)	33	33	33	33	67	67	67	67	100	100	100	100	100	100	134	134	134	134	134	134
Printing:																				
pamphlet (16)	121	266	241	534	361	808	482	1066	602	1333	723	1600	842	1868	963	2133	1084	2399	1204	2667
Gazette: variable } (½ size) (17)	6	14	11	26	18	40	24	53	30	66	35	79	42	92	48	105	53	119	59	131
; fixed } (18)	85	-	85	-	85	-	85	-	85	-	85	-	85	-	85	-	85	-	85	-
Mailing (regular orders):																				
Gazette (19)	65	-	65	-	65	-	65	-	65	-	65	-	65	-	65	-	65	-	65	-
pamphlet (20)	5	11	10	23	15	34	20	45	25	56	35	68	36	79	41	90	46	101	51	113
Postage: (21)																				
Des. States Art. 20 + Rule 17	4	4	8	8	13	12	17	16	21	19	25	23	29	27	34	31	38	35	42	39
pamphlet - mandatory	10	9	19	18	29	27	39	36	49	45	58	54	68	63	78	72	87	81	97	90
Gazette - mandatory	3	-	4	-	5	-	6	-	7	-	8	-	9	-	10	-	10	-	11	-
Meetings (22)	48	-	48	-	48	-	48	-	48	-	48	-	48	-	48	-	48	-	48	-
Missions (23)	33	-	33	-	33	-	33	-	33	-	33	-	33	-	33	-	33	-	33	-
[Sub-total staff costs without Common Expenses]	[1312]	[210]	[1550]	[355]	[1855]	[565]	[2092]	[707]	[2429]	[950]	[2666]	[1093]	[2904]	[1237]	[3210]	[1449]	[3448]	[1594]	[3691]	[1737]
Common Expenses (24)	1093	175	1364	313	1640	500	1926	651	2149	841	2353	964	2458	1047	2785	1258	2881	1332	3050	1436
Unforeseen (5% of total of all items above)	140	35	173	64	209	100	243	130	279	167	309	196	333	223	373	259	397	286	425	314
TOTAL EXPENDITURE	2932	730	3625	1353	4396	2097	5107	2729	5856	3508	6484	4114	6999	4680	7827	5447	8336	6003	8929	6589
	<u>3662</u>		<u>4978</u>		<u>6493</u>		<u>7836</u>		<u>9364</u>		<u>10598</u>		<u>11679</u>		<u>13274</u>		<u>14339</u>		<u>15518</u>	
B. INCOME: Basic fee (500f) + 3 designations (135f each) (25)	910	-	1820	-	2730	-	3640	-	4550	-	5460	-	6370	-	7280	-	8190	-	9100	-
Pamphlet sales (10f) (26)	280	620	560	1240	840	1860	1120	2480	1400	3100	1680	3720	1960	4340	2240	4960	2520	5580	2800	6200
Gazette (500f per year) (27)	1250	-	1250	-	1250	-	1250	-	1250	-	1250	-	1250	-	1250	-	1250	-	1250	-
TOTAL INCOME	2440	620	3630	1240	4820	1860	6010	2480	7200	3100	8390	3720	9580	4340	10770	4960	11960	5580	13150	6200
	<u>3060</u>		<u>4870</u>		<u>6680</u>		<u>8490</u>		<u>10300</u>		<u>12110</u>		<u>13920</u>		<u>15730</u>		<u>17540</u>		<u>19350</u>	
C. DIFFERENCE	-602		-108		+187		+654		+936		+1512		+2241		+2456		+3201		+3832	

* Numbers (1 to 27) in parentheses in the first column refer to the corresponding notes to the budget estimation set out in the subsequent pages (2 to 4) of this Annex.

Notes to the Budget Estimation

- (1) It is assumed: that 75% of the international applications claim priority and 25% do not claim priority; that 10% of the international applications claiming priority are withdrawn before publication; that 10% of the international applications claiming priority are withdrawn after publication; that 10% of the international applications not claiming priority are withdrawn before publication; that 10% of the international applications not claiming priority are withdrawn after publication. It is also assumed that the filing of applications is evenly distributed over the year.
- (2) Six posts in the "Professional" ("P") category and two posts in the "General Services" ("G") category.
- (3) Based on the estimate that 65% of the clerical operations in respect of the international applications filed in a given year are performed in the same year, 30% are performed in the subsequent year and 5% become unnecessary because of withdrawals.
- (4) Salaries include social charges and other miscellaneous staff costs.
- (5) Based on the estimate that clerical staff needs for 1000 applications processed* are 2.75 "G" man/year.
- (6) Based on the estimate that translator needs for 1000 applications processed* are 1.23 "P" man/year.
- (7) Based on the estimate that 59% of the translation work in relation to the international applications filed in a given year is performed in the same year, 38% is performed in the subsequent year and 3% becomes unnecessary because of withdrawals.
- (8) Based on the estimate that staff needs for 1000 applications processed are 0.47 "P" man/year.
- (9) Based on the estimate that 51% of the photocopying work in respect of the international applications filed in a given year is performed in the same year, 47% is performed in the subsequent year, and 2% becomes unnecessary because of withdrawals. The total photocopying work represents, with three designations per international application, 0.06 man/year (0.063 with four designations and 0.071 with five designations) for each 1,000 international applications. The pamphlets are used, when available, for the purposes of Article 20 communication.
- (10) Corresponds to a cost of 0.26 francs per copy, including paper, assuming 49,725 pages copied for each 1000 international applications (17 pages per international application; three copies of each international application).
- (11) Corresponds to the cost of 0.43 "G" man/year per 1000 international applications (28% of the applications filed in a given year being estimated to be processed in that year, 62% in the following year and 10% withdrawn before publication).
- (12) Corresponds to the cost of 0.02 "G" man/year per 1000 international applications (typing of indexes (3 pages), table of contents (1 page), notices for Gazette (8 pages)).
- (13) Based on the cost of 6.2 hours/week editorial work per 1000 international applications processed*. On this basis, the present staff could handle up to 4000 applications per year (i.e., approx. 1300 hours/year); above that number, an editor ("G" level) would be required. It is assumed that the editor's work is evenly distributed over the year since he works also on the Gazette.
- (14) It is estimated that, for between 1000 to 2000 international applications per year, 1 "G" staff will be needed; between 3000 and 4000, 2 "G" staff; between 5000 and 7000, 3 "G" staff, and between 8000 and 10,000, 4 "G" staff.
- (15) It is estimated that 4 minutes are necessary for packing or putting in pre-addressed envelopes each single order for pamphlets and/or Gazettes. It is assumed that 90,000 pamphlets would be sold each year when a level of 10,000 international applications per year is reached (taking into account withdrawals at the rate of 10% before publication); the time required would then be 6000 hours or 4 "G" staff. It is therefore estimated that 0.4 "G" man/year would be needed for each 1000 applications filed, with a minimum of 1 "G" staff. It is assumed that the mailing to regular subscribers for pamphlets and Gazettes would be made by the outside printer, see (19) below.

* "processed" means dealt with in the year of filing and in the subsequent year.

(16) Corresponds to outside printers' quotations of 413.50 francs for 150 copies, increased by 4% to cover inflation between now and 1978. (The percentage distribution of printing costs in the same year and in the subsequent year is the same as indicated in note (11) for the processing of international applications.)

(17) Corresponds to prices quoted by outside printers, i.e., 1022 francs for printing a weekly edition of 2000 copies of the Gazette in English and 500 copies in French containing 50 entries (i.e., approximately 2500 entries per year), increased by 4% to cover inflation between now and 1978. (The percentage distribution of printing costs in the same year and in the subsequent year is the same as indicated in note (11) for the processing of international applications.)

(18) Corresponds to prices quoted by outside printers for cover page, indexes, notices, table of contents and binding, increased by 4% to cover inflation between now and 1978.

(19) Based on actual WIPO expenditure in respect of other periodicals.

(20) It is assumed that there would be 10 mailings of each pamphlet under Rule 87 to International Searching Authorities and to International Preliminary Examining Authorities and an additional 25 mailings, on average, to the national offices of each PCT member. (The percentage distribution of printing costs in the same year and in the subsequent year is the same as indicated in note (11) for the processing of international applications.)

(21) Calculated on the basis of estimated number of envelopes posted applying an average air-mail rate for printed matter.

(22) As provided for "conferences" in document AB/VII/2 for 1978 for PCT (item PCT.01).

(23) As provided for "missions" in document AB/VII/2 for 1978 for PCT (item PCI.08).

(24) (a) Common expenses in 1978 budget consist mainly of the following (see document AB/VII/2, page 21):

Management	1,785,000 francs
External Relations and Public Information	1,481,000 francs
Support Activities	11,309,000 francs
Amortization of Building Loans	2,719,000 francs
TOTAL	<u>17,294,000 francs</u>

(b) The total staff in the 1978 WIPO budget is 185 of which 8 deal exclusively with PCT legal and technical services (see (4), above); the remaining 177 do not deal at all or deal only part-time with PCT matters.

(c) The number of staff which deals exclusively with PCT matters is estimated for each level of 1000 international applications filed as follows: 1000 applications, 14 staff; 2000, 19; 3000, 25; 4000, 31; 5000, 37; 6000, 42; 7000, 45; 8000, 54; 9000, 57; and 10,000, 62.

(d) If the number of staff at each level is added to the present 177 other WIPO staff (see (b), above), the total WIPO staff for each level of 1000 international applications filed would be as follows: 1000 applications, [177 + 14 =] 191 staff; 2000, 196; 3000, 202; 4000, 208; 5000, 214; 6000, 219; 7000, 222; 8000, 231; 9000, 234 and 10,000, 239.

(e) Assuming a distribution of common expenses on the ratio of staff exclusively dealing with PCT matters to the total WIPO staff, the following amounts result for each level of 1000 international applications filed:

<u>Number of Applications</u>	<u>Swiss francs</u>
1000	1,268,000*
2000	1,677,000
3000	2,140,000
4000	2,577,000
5000	2,990,000
6000	3,317,000
7000	3,505,000
8000	4,043,000
9000	4,213,000
10000	4,486,000

* Example of calculation

$$1000 \quad \frac{17,294,000}{191} \times 14 = 1,268,000$$

(f) The distribution of common expenses between "same year" and "subsequent year" is made on the basis of the sub-total "staff costs".

(25) The whole of the income from basic fees and designation fees is shown as received in the same year in which the international applications are filed. However, in the case of applications not claiming priority, some income from designation fees (the amount of which would not be large) may be received in the subsequent year.

(26) Assumed sales of 100 copies of each pamphlet at 10 francs per copy. (The percentage distribution of printing costs in the same year and in the subsequent year is the same as indicated in note (11) for the processing of international applications.)

(27) Assumed sales of 2500 copies per week at a subscription rate of 500 francs per year.

[Annex II follows]

FINANCING OF THE DEFICIT 1978-1980

(An example)

Countries	Basic Contributions (1,795,000 francs per year)		Supplementary Contributions (500,000 francs per year)						
	per- cent- ages **	amounts (francs)	outgoing appli- cations 1975	1978* assuming 4 contributing States		1979* assuming 8 contributing States		1980* assuming 22 contributing States	
				% ***	amounts (francs)	% ***	amounts (francs)	% ***	amounts (francs)
United States of America	18.13	325,433	93,025	46.13	230,650	36.53	182,650	31.54	157,700
Japan	16.69	299,585	27,666	-	-	10.87	54,350	9.38	46,900
Germany (Fed. Rep. of)	11.86	212,887	60,810	30.16	150,800	23.88	119,400	20.62	103,100
Soviet Union	10.08	180,936	5,130	-	-	-	-	1.74	8,700
United Kingdom	8.68	155,806	24,402	12.10	60,500	9.58	47,900	8.27	41,350
France	7.25	130,137	23,420	11.61	58,050	9.20	46,000	7.94	39,700
Canada	4.29	77,005	5,063	-	-	-	-	1.72	8,600
Switzerland	3.32	59,594	19,729	-	-	7.75	38,750	6.69	33,450
Netherlands	3.02	54,209	9,908	-	-	-	-	3.36	16,800
Sweden	2.74	49,183	9,328	-	-	-	-	3.16	15,800
Australia	2.04	36,618	2,131	-	-	-	-	-	-
Austria	1.78	31,951	3,277	-	-	1.29	6,450	1.11	5,550
Belgium	1.77	31,771	3,197	-	-	-	-	1.08	5,400
Brazil	1.47	26,386	192	-	-	-	-	-	-
Spain	1.30	23,335	1,759	-	-	-	-	0.60	3,000
Denmark	1.05	18,848	2,297	-	-	0.90	4,500	0.78	3,900
Norway	0.74	13,283	1,252	-	-	-	-	0.42	2,100
Finland	0.61	10,950	1,345	-	-	-	-	0.46	2,300
Hungary	0.53	9,514	1,927	-	-	-	-	0.65	3,250
Yugoslavia	0.46	8,257	189	-	-	-	-	-	-
Ireland	0.43	7,719	168	-	-	-	-	0.06	300
Israel	0.39	7,001	613	-	-	-	-	0.21	1,050
Romania	0.36	6,462	146	-	-	-	-	-	-
Iran	0.36	6,462	22	-	-	-	-	-	-
Luxembourg	0.34	6,103	600	-	-	-	-	0.20	1,000
Philippines	0.19	3,411	18	-	-	-	-	-	-
Egypt	0.09	1,615	11	-	-	-	-	-	-
Cuba	0.03	539	18	-	-	-	-	0.01	50
	100.00	1,795,000		100.00	500,000	100.00	500,000	100.00	500,000

* In order to construe this illustrated example, one had to make certain assumptions as to the year in which each country would become a member of the PCT Union. Except for the United States of America and the Federal Republic of Germany, which have already deposited their instruments of ratification, the assumptions are not based on any facts or opinion of likelihood.

** arrived at by applying the same principles as used for distributing 1977 contributions using latest available statistics, i.e., 1975 in most cases--some figures taken from prior year when not available for 1975.

*** based on 1975 outgoing applications.

[Table I follows]

TABLE I

Income & Expenditure (in thousands of Swiss francs)

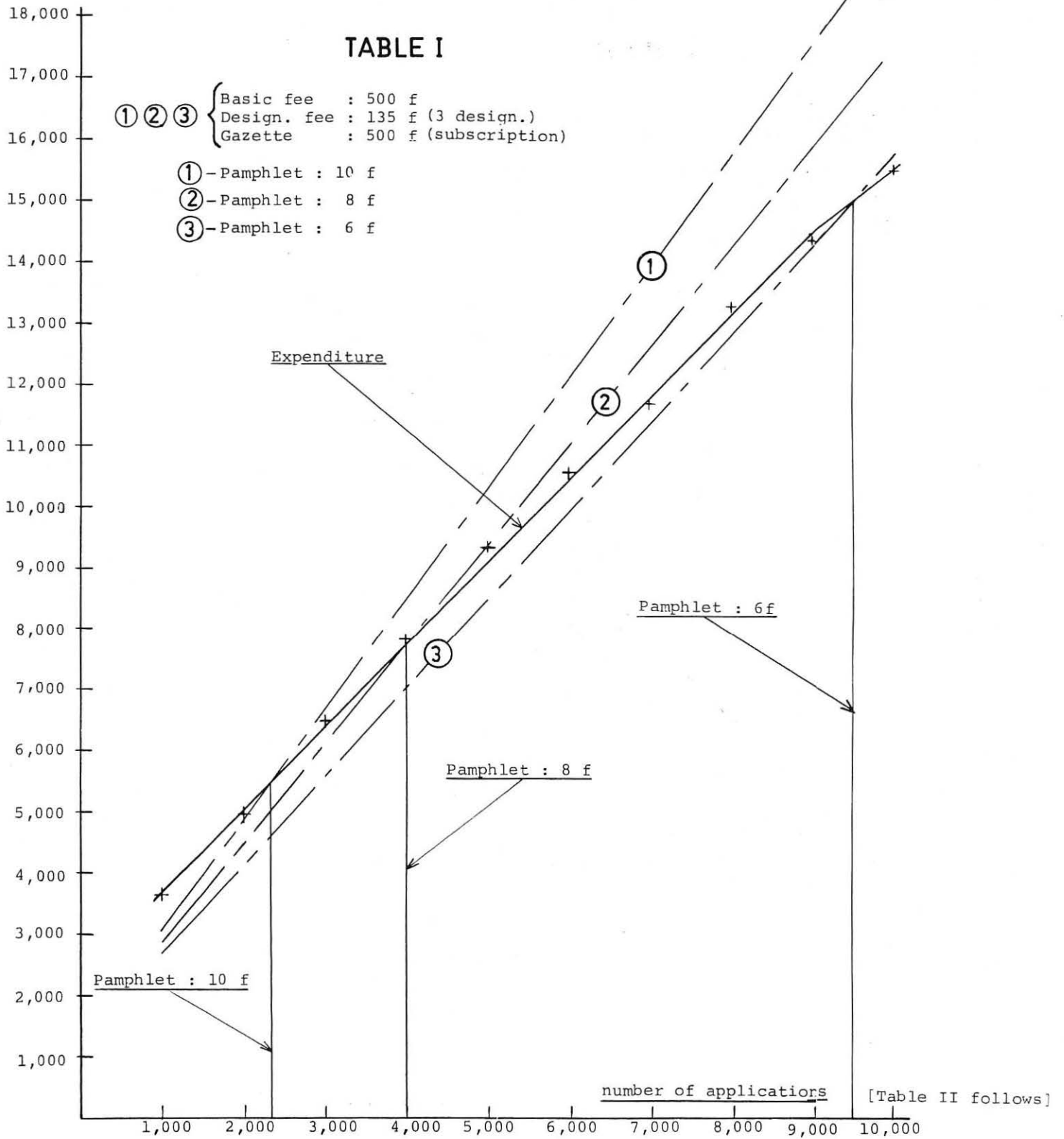


TABLE II

Income & Expenditure (in thousands of Swiss francs)

TABLE II

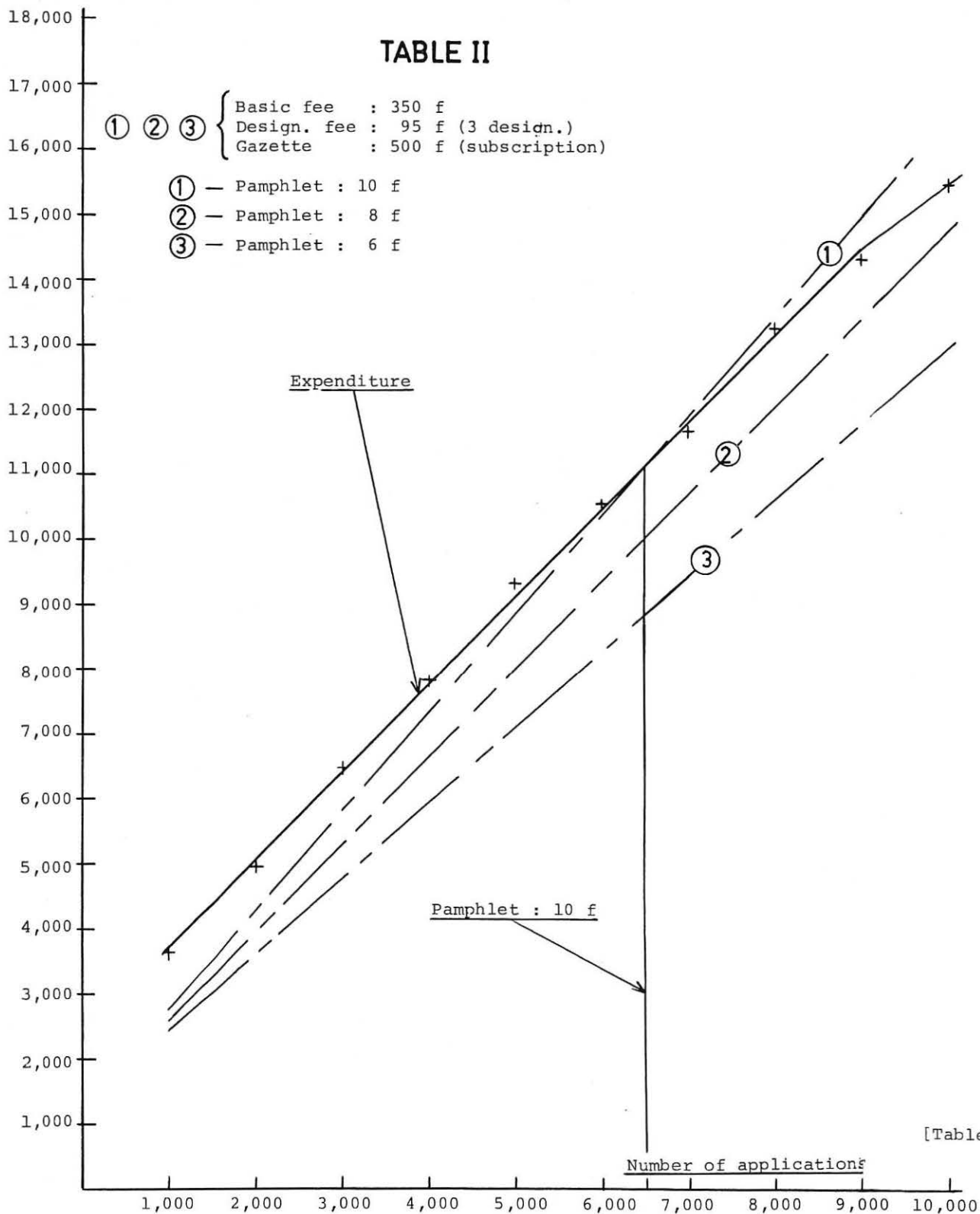


TABLE III

Income & Expenditure (in thousands of Swiss francs)

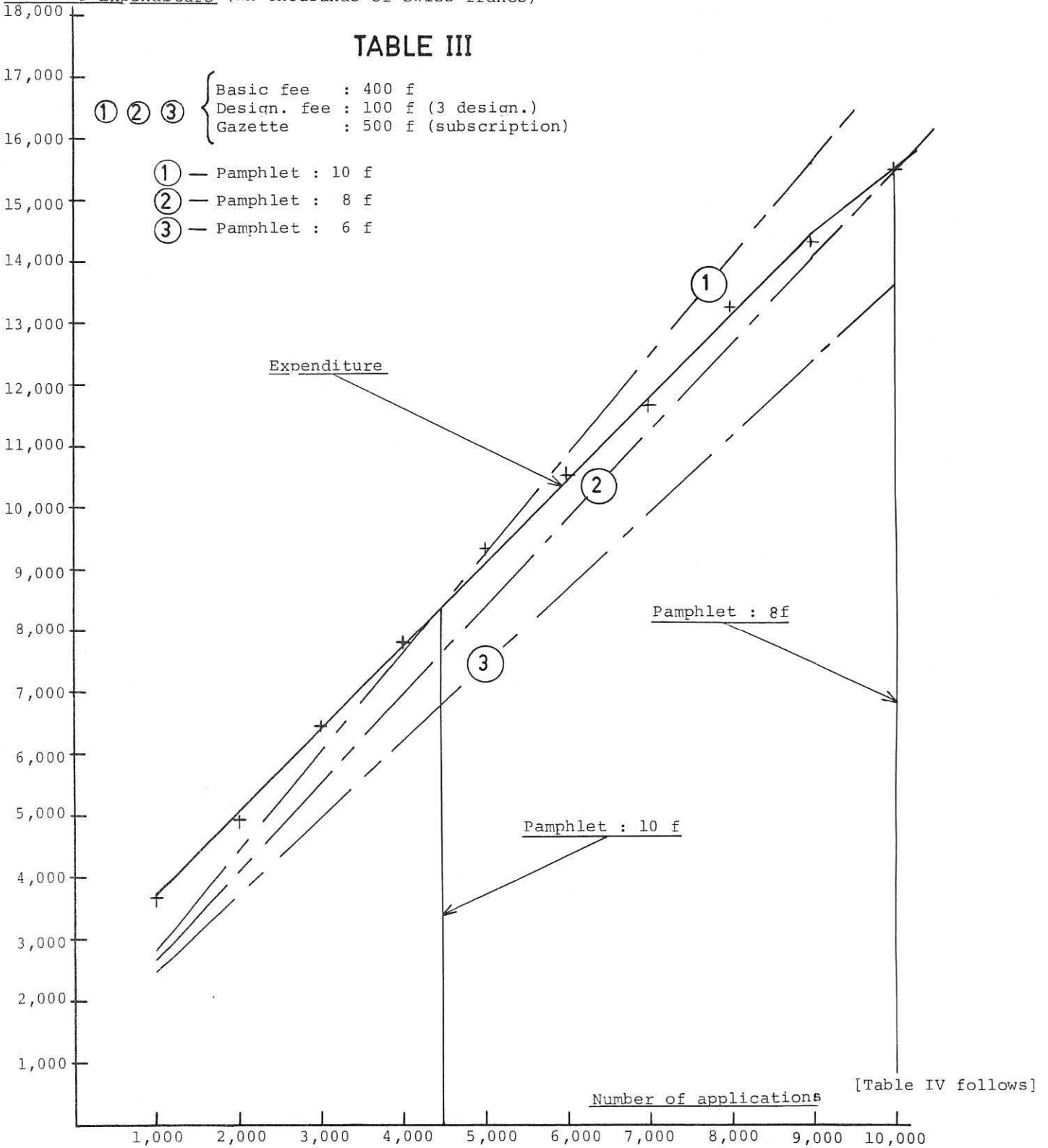
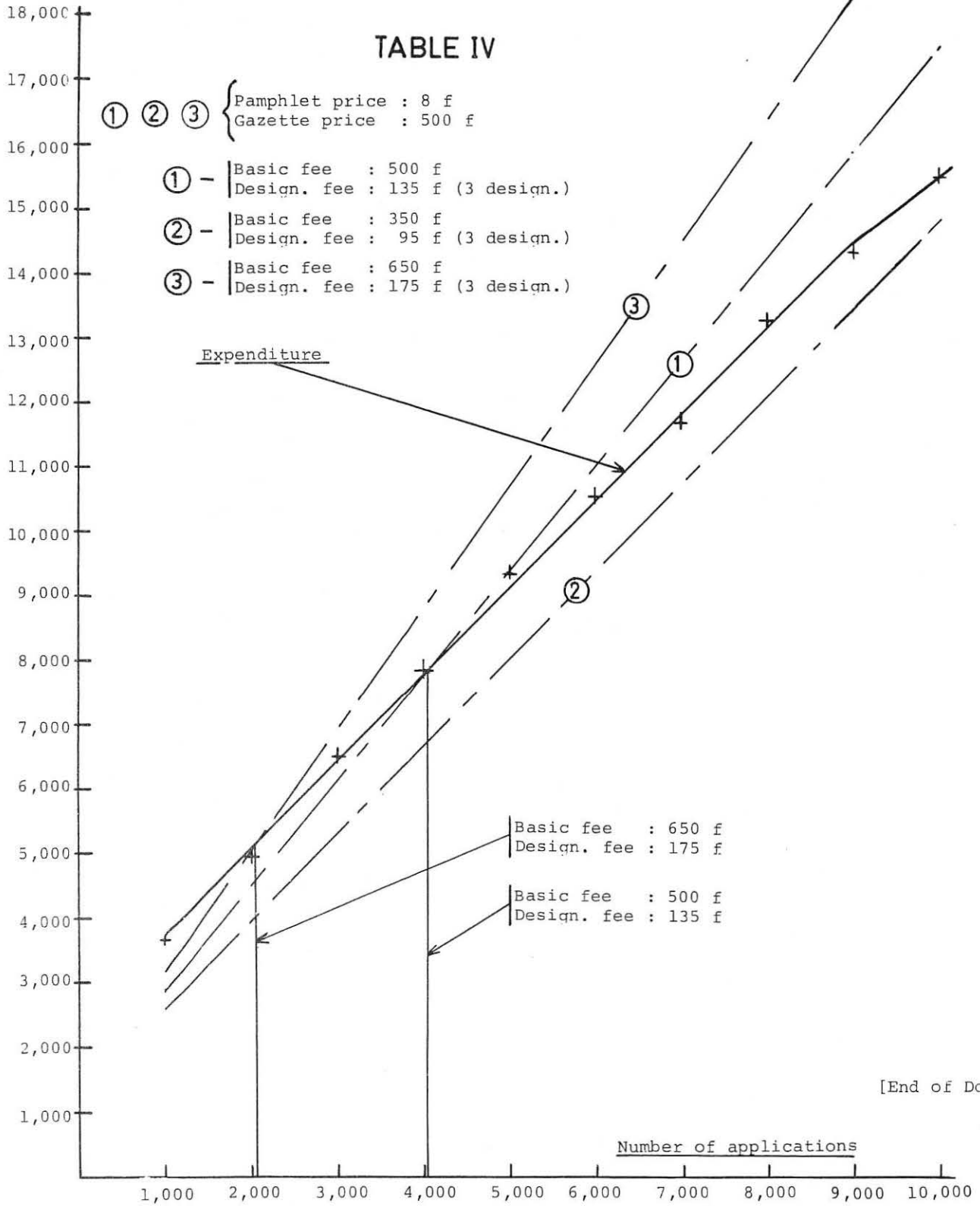


TABLE IV

Income & Expenditure (in thousands of Swiss francs)



[End of Document]