



Financing standards and specifications 2014

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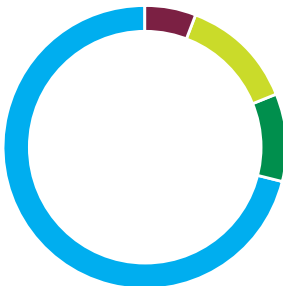
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→ Financing DIN

The DIN Group comprises the German Institute for Standardization (DIN), Beuth Verlag GmbH (Beuth) and DIN Software GmbH (DIN Software). Of the consolidated overall budget, 71% comes from DIN's own income, generated by sales of the group's own products and services, rental income and interest income, etc. 13% of all revenue takes the form of project funds from industry (private funding), and 10% comes from public project funding, while 6% comes from membership fees (all figures: 2014).

The largest organization in the group is DIN. In 2014 DIN developed nearly 4,000 standards, draft standards and specifications with the aid of 31,000 external experts and 411 staff members working within 70 standards committees.



INCOME STRUCTURE OF THE DIN GROUP
(2014 BUSINESS YEAR)

Membership fees	6%
Private project funding	13%
Public project funding	10%
Own income	71%

Financing DIN

By holding the secretariats of Technical Committees, Subcommittees and Working Groups of ISO and CEN, DIN actively represents German interests at European and international level. The stakeholders in standardization – DIN’s “customers” – come from all areas of society: Non-governmental organizations such as those dealing with consumer protection, occupational health and safety or environmental protection are represented, as are small- and medium-size enterprises (SMEs), large concerns, trade associations, scientific and research institutes, and the state.

Through activities such as technical consulting, managing work processes for the development of standards and specifications, representing German interests at meetings held by standards bodies worldwide, and providing basic support services, DIN incurs costs approaching 70 million euros per year.

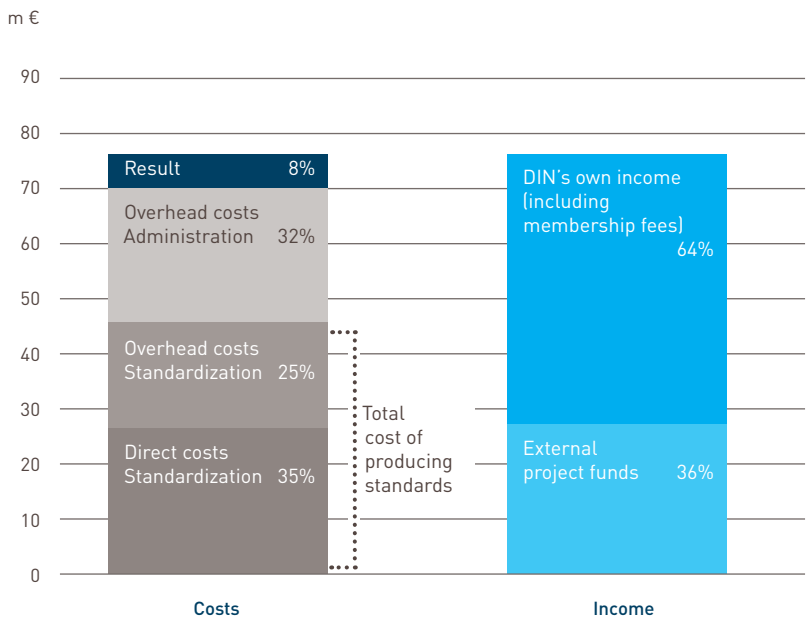
The operative side of DIN’s standards work generates annual direct costs of about 27 million euros annually. These include direct personnel costs, the travel costs necessary for standards work, and direct non-personnel costs such as the commissioning of expert studies, the acquisition of technical literature, and other related services.

In coordinating the direct business of standardization, ensuring a constant presence at national, European and international level, as well as meeting the goals laid down in its statutes and thus representing the interests of its clientele, DIN incurs further costs of about 19 million euros. Together with the direct costs mentioned above, these indirect costs (i.e. the overhead costs of standardization) make up the total cost of producing standards.

DIN’s core services generate costs (administrative overhead costs) of about 25 million euros a year. These include primarily the cost of IT equipment and IT development – which helps increase efficiency and results in cost savings for the external experts – but also DIN’s accounting, controlling, human resources management, legal department, and also the infrastructure enabling meetings to be held at DIN’s various locations, including virtual meetings.

According to the cost of sales method, this results in the following cost/income structure:

COST/INCOME STRUCTURE OF DIN ACCORDING TO THE COST OF SALES METHOD
 (2014 business year)



This shows that the direct costs of standards project work are covered by direct income, i.e. external project funds provided by industry and the state. The indirect costs are financed by DIN's self-generated income. This system of financing applies for all standards projects, with the result

that at least the direct costs resulting from the commissioning of standards work are financed by external project funds.

DIN is a non-profit organization which solely pursues its statutory purposes and as such does not seek to make a profit.

Financing DIN

The utilization of project funds is regularly audited. The annual statement is examined by a certified accountant, who then issues a positive certificate of audit.

The steering bodies of the standards committees meet not only to decide on the work programme and budget plan for the coming year, but also to account for the actual budget and project work results of the past year. At these meetings, the actual budget realized and work results achieved in the past year are also presented for each standardization project.

In this way, when it comes to the provision of funding and how this is spent, everyone who takes an active part in DIN's standardization work and contributes to its financing can be certain that transparency and accountability are foremost.

→ Financing methods

1. PRIVATE FUNDING

a) Project contracts

It is possible to conclude a service contract for the project management of specification procedures, standards projects, or the representation of German interests on a specific standardization issue. Such contracts oblige DIN to provide specific services such as holding the secretariat of a European committee or providing technical consulting and management services in the development of a standard or specification ("DIN SPEC"). The schedule of invoicing and payments to DIN is also agreed in advance.

By concluding a project contract, the contracting body has greater certainty of how the project will progress, thus enabling it to more reliably plan its use of resources, including the experts sent to meetings. In addition, a payment schedule means the contracting body can budget more precisely, while the detailed description of the project and its method of payment as set out in the contract details ensure a high degree of transparency.

b) General contributions

These contributions directly support the management of the work of DIN's standards committees at national, European and international level and are therefore directly assigned to the budget of the individual committee. General contributions are an indication of the necessity of the relevant standards and specifications and at the same time a practical instrument for steering DIN's work programme.

Requests for general contributions are usually made on the basis of the rules and regulations governing such contributions; these are drawn up by the steering committee of each standards committee, taking its work programme and the budget this requires into consideration.

Financing methods

Payment of the general contribution does not infer entitlement to any return service. DIN's status as a non-profit organization means that general contributions are tax-deductible.

Each committee's internal rules of procedure may allow for the formation of a sponsor group comprising personalities authorized by the committee; this group would then become an internal entity of the committee. Members of such sponsor groups can be businesses, associations, agencies, societies, institutions, or individual persons who are interested in financing the standards committee's projects.

c) Contributions to cover specific costs

According to Presidential Decision 10/1997, standards committees are permitted to levy a contribution per expert and committee that helps cover the costs of providing working documents.

This contribution is required from individuals or groups participating in DIN's working committees (or who wish to be included among the recipients of working documents) but who make no, or an inadequate, general contribution.

The DKE (German Commission for Electrical, Electronic & Information Technologies of DIN and VDE) is exempted from the rules on contributions to cover specific costs, and there has to be a special agreement with DIN before these rules can be applied. Because the state already provides funding, representatives of non-commercial end consumers and public authorities, including higher education teaching staff and representatives of government-supported research organizations, are not obliged to make general contributions or contributions intended to cover specific costs, even if the individual standards committee does not receive any project funding from the state.

Anyone withholding their general contribution or contribution to cover specific costs can be excluded from participation in the work. At the same time, it must be ensured that the composition of a national committee remains balanced and in line with the provisions set out in the principles of standardization.

2. PUBLIC FUNDING

a) Funding by the Federal Government and *Länder*

The state contributes to the development of standards and specifications by providing project funding. This mainly takes the form of funding according to the Federal Budget Law (BHO) or *Länder* Budget Law (LHO). In the year before the project is due to start, DIN makes an application to the relevant Federal or *Land* ministry which, in turn, bases its decision on whether it perceives any special interest for itself in supporting the work. If so, it issues a notice of funding approval.

The special interest of the state or of an individual *Land* can be seen as a means not only to enhance German's competitive ability as an exporting country but also to ensure that innovative research results are implemented and disseminated. These public project funds also help provide information to the stakeholders and assist them in participating in and influencing the development of standards and specifications.

Standards help facilitate and accelerate the legislative process, and are an integral part of public tendering. Public funds are always earmarked for a specific purpose, and are used to finance the development of standards and specifications in the public interest, e.g. in occupational health and safety, security technology, consumer protection, environmental protection, construction and civil engineering, and water engineering.

Public funds are also used to pay a portion of DIN's fees for membership in international and European standards organizations. They are also used to partly finance European and international standardization (e.g. the translation of European Standards into German) and to finance projects in which DIN helps developing countries and Central and Eastern European countries set up or further develop their own national standards bodies.

b) Project contracts

Private service contracts can also be concluded with public authorities, for instance with the Federal Office of Bundeswehr Equipment, Information Technology and In-Service Support (BAAINBw) or the Commission of the European Union. These service contracts are explicitly mentioned in the standardization policy concept of the German Federal Government and are particularly suitable for self-contained public projects that can be covered by a contract. In these cases the responsible Federal or *Länder* governmental department makes a decision on a case-by-case basis, taking into account the relevant statutory requirements.

3. DIN'S CONTRIBUTION TO PROJECT FINANCING

DIN's contribution to project financing comes from a number of sources, the most important of which is its income from royalties from the sales of DIN's own products, including standards, by DIN's subsidiary, Beuth Verlag.

Other important sources of income for DIN are its income from investments in its associated companies, membership fees, rental income, and interest earnings. DIN's contribution to project financing is used for the purpose foreseen in its statutes (i.e. for developing standards and specifications).

The product range of DIN and its subsidiaries is continually being expanded in order to satisfy the requirements of DIN's stakeholders, standards users and customers.

→ Financing standards projects

The standards committees are responsible for standardization in their respective area(s) at national, European and international level, and help promote the application of their standards in the relevant fields.

Organizations and experts usually become actively involved in standardization to protect their own interests and to take on tasks that bring both costs and benefits for the delegating party.

All of DIN's stakeholders are called on to contribute at least towards financing the administrative work of the standards committees, both directly and according to technical discipline.

Each DIN standards committee has its own budget based on the work programme describing the standards projects to be developed that year. The duration, scope and complexity of each project is calculated before work on that project is initiated, using an internal calculation tool that has been developed for this purpose. Because all of the standards committees use the same tool, the stakeholders in standardization can be assured that the calculation procedures are uniform, open and transparent.

The tool is used to determine the costs of each project and differentiates between indirect and direct costs. Direct costs are those that can be directly attributed to the development of standards, such as personnel costs, travel costs, and non-personnel costs (e.g. for interlaboratory tests, technical literature, etc.).

In addition to the direct costs, the calculations must take into account the necessary indirect control costs. These include costs incurred in the representation of German interests at European and international level, membership in CEN and ISO, and controlling of the standardization process. Taken together, these indirect and direct costs give the total cost of producing standards.

Financing standards projects

DIN's additional supportive functions also generate costs, e.g. in the provision of IT equipment and IT development, human resources management, accounting, and the work of the legal department, all of which are added to the production costs as overhead administration costs.

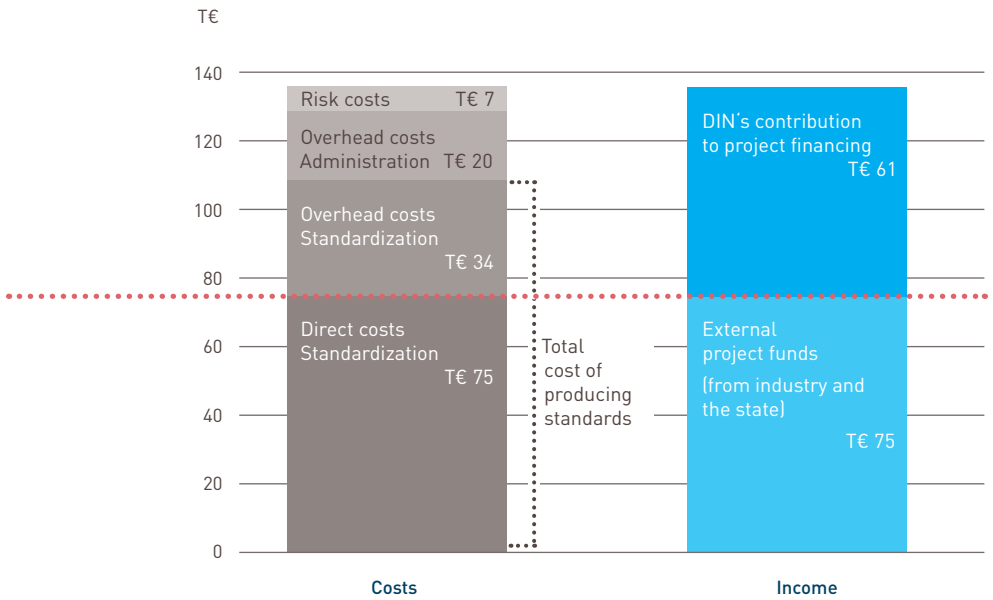
Each standards project is assigned a minimal risk allowance to allow for the calculated risk of standards work, since DIN is not solely responsible for the tempo and progress of a project upon which the stakeholders at national, European and international level all have a strong influence.

DIN's own contributions towards covering the total costs determined for each project are supplemented by external project funds. The aim is to have the stakeholders at least cover the direct costs of the project work.

Taking as a basis the total number of projects to be worked on that year, each standards committee draws up its annual budget, which accounts for the total direct costs, the overhead costs for standardization, the overhead costs for administration and the risk costs. These are set against the project funds that are required to provide the necessary funding.

Decisions on the measures required to secure financing are taken by the steering committee of the respective standards committee on a case-by-case basis in consultation with DIN's Management Board according to the principles of standardization and its financing laid down by the Presidial Board and its Finance Committee.

ANNUAL BUDGET FOR A DIN STANDARDS COMMITTEE (EXAMPLE)



→ Financing DIN Specifications (DIN SPEC)

DIN also provides an alternative to full consensus-based standardization, namely the development of “DIN Specifications”, or “DIN SPEC”.

In this case, project contracts are drawn up covering the setting up of temporary working groups, called “workshops”, the purpose of which is to develop a DIN SPEC on a specific subject – this subject is also described in detail in the contract. Although DIN SPEC can be quickly developed because they do not require the full consensus of all stakeholders, they are nevertheless rigorously formulated specifications that are made generally available for purchase.

DIN SPEC do not have the same status as DIN Standards, but can be introduced into the body of German Standards as supplementary products. A DIN SPEC can be turned into a full DIN Standard at a later stage.

As a rule, the contracting parties – the “initiator” of the project and any other authors – and DIN take on the obligation to achieve specific aims within a specified time period, working within the framework of the workshop set up expressly for this purpose. To this end a fee is agreed upon and is laid down in the contract. The result of this process is a DIN SPEC which presents all interested parties with the current state of technology and gives the contracting party an instrument for shaping new markets.



If you have any queries, our Finance and Controlling Division will be glad to help.

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