

1. INTRODUCTION

APAC is the new regional body formed in 2019 through an amalgamation of APLAC and PAC. In general, APAC’s activities cover the activities of both APLAC and PAC with the elimination of duplicate activities.

Prior to the formation of APAC, there were a reasonable degree of common membership between APLAC and PAC. For example, in 2017, approximately half (49 %) of APLAC members were also members of PAC and nearly two third (63 %) PAC members were also members of APLAC.

One of the main factors for the amalgamation is to have greater organisational capability and more comprehensive secretariat support for APAC than that existed in the previous separate bodies. The APAC Project Steering Committee (PSC) which made up of representatives from APLAC and PAC took the opportunity to develop a fee model that is suitable to APAC. The PSC reviewed the fee models from other regional bodies including ILAC, EA, and IAAC as part of the process to formulate the APAC Fee Model.

The APLAC Board of Management and PAC Executive Committee have adopted the Fee Model described in this policy.

1. PRINCIPLES AND FUNDAMENTAL CONSIDERATIONS

As a regional cooperation based on goodwill and all members acting in good faith to advance the common objectives of APAC, the main purposes of the membership fee structure are to collect appropriate membership fee to fund the operating costs and also to build up and preserve a reasonable financial reserve to deal with unexpected events and other contingencies.

The fundamental principle for the membership fee structure should be simple, fair and equitable. The fee model should calculate the membership fee in a fair and equitable manner which should as far as practicable reflect the benefit that can reasonably be expected to accrue to members concerned.

Furthermore, as members become financially stronger, they should contribute a greater share of the operating costs of APAC.

In short, the APAC membership fee model is based on:

1. Members’ capacity to Pay;
2. Notional derived benefit from membership (i.e. based on Economy size, per capita GNP, and number of accredited facilities, and accredited certification bodies by members);
3. Simplicity and certainty in amount; and
4. Administrative efficiency.
5. COMPONENTS OF THE MEMBERSHIP FEE

Based on the above principles and rationales, the membership fee for each member will include the common fee component and those fee components that are relevant to their accreditation activities. This fee structure takes into account the benefits each member can derive from APAC or APAC can offer to them.

**3.1 Cap on member’s size and scale as the basis for fee calculation**

In relation to the notional derived benefit from membership, it is reasonable to assume that the notional benefit to a member should vary in direct proportion to its scale and size. However, it is also recognised and a common practice among similar membership based organisation that the notional benefit may reach its maximum at certain size and scale.

Therefore, a ‘cap’ or a limit is usually used to put the maximum on the amount on the membership fee component based on the members’ size and scale. This also has the practical consequence of minimising the risk of some large member organisations being asked to pay for the disproportionate amount of the total financial resources requirement of APAC.

**3.2** **Membership Fee Formula**

The fee formula for Membership is:

**APAC Membership Fee = (E1 + E2 + E3) x F**

Where:

**E1** is the economy component based on World Bank list of economies:

Band A is linked to High Income.

Band B is linked to Upper Middle Income.

Band C is linked to Lower Middle Income and Low Income.

**E2** is the component for number of accreditations which is calculated as follows:

**E2 = (A x M1) + (B x M2)**

**A** is the number of accreditations for testing, calibration, ISO 15189, inspection body, RMP and PTP scopes

**B** is the number of accreditations for certification body scopes.

There will be a cap (maximum value) for A and B.

**M1** and **M2** are scale factors to reflect the comparatively smaller number of accredited certification bodies than laboratories/inspection bodies/PTP/RMP.

**M1** has been set as 10 and **M2** has been set as 20.

**E3** is the component for scopes of the MRA. An additional fee will be charged for each additional scope of the MRA.

**E3** = count of scopes of MRA x 8

**F** is the multiplication factor for APAC to balance the expenditure with the income.

The annual fee for Affiliates is also set at a certain level subject to periodic adjustments at the discretion of the APAC Executive Committee.

**3.3 E1 – Annual fee component based on World Bank list of economies**

E1 will be set at three categories based on the latest World Bank list of economies, and as follows.

* A ($1,500) – High Income
* B ($1,000) – Upper Middle Income; and
* C ($750) – Lower Middle Income and Low Income.

The difference in the amount of contribution between the categories should reasonably reflect the difference in the economic strengths of the members’ economies. The dollar values will be reviewed periodically by the APAC Executive Committee.

**3.4 E2 and E3 - Annual fee components based on notional derived benefit**

The benefits that members can gain from APAC are likely to relate to their number of accreditations and the scope covered under the APAC MRA. The amount of benefits gained should roughly be proportional to the numbers of accreditations and the MRA scope covered, subject to the cap. Hence, E2 andE3 will include the number of accreditations and the MRA scope into account respectively.

Under APLAC, there was a tiered structure cap at three levels. Under PAC, there was no cap. As explained above, a cap appears to be a more reasonable way to allocate fee among member organisations with a wide range of size and scale.

To simplify this component, one cap will be adopted. Furthermore, since the numbers of accreditations for laboratory and inspection body is usually higher than those for certification body, a multiplication factor will be used to equalise the number of certification bodywith the number ofaccreditations for laboratory and inspection body. This is to make this contribution more equitable. The exact values of these will be determined to ensure that this fee component is reasonable and fair.

The cap for A x 10 and B x 20 has been set at 5,600.

**3.5 F – Global adjustment factor**

While the E factors should provide some consistency in achieving the equity and fairness objectives of the fee model, we need the global adjustment factor F to deliver the necessary amount of annual fee budget.

For the 2019 fee calculation the global adjustment factor, **F** was set at 3.2.

**3.6 Example for 2019**

**APAC Membership Fee 2019 = (E1 + [A x 10) + (B x20)] + E3) x 3.2**

If:

E1 = Band C = $ 750; A = 10; B = 5; and E3 = 3 x 8,

Then:

2019 APAC Fee = [750 + (10x10) + (5x20) + (3x8)] x 3.2 = $ 3,116.80

1. TRANSITION ARRANGEMENTS

Due to the different approaches in the fee model between APLAC and PAC, there is no logical reason why the APAC fee model should provide similar fee for individual APAC members.

For example, the application of a cap on the number of CBs to be included in the fee model will reduce the fee payable by large ex-PAC member organisations. Conversely, replacing the APLAC tiered cap with a single cap, say a cap of, say 10, would increase the fee to large ex-APLAC member organisations.

Consequently, a number of APAC members would experience material change – increase or decrease – in membership fee on change over from APLAC and PAC to APAC membership.

In the event the change (increase) in membership fee as a result of adopting the APAC fee model is greater than 10% of the membership fee that the member would have been invoiced under the APLAC and/or PAC fee model, a transitional fee adjustment will be made to the APAC membership invoice to offset the fee change attributable to the change in the fee formula.

This transitional fee adjustment (initial adjustment) will cease at the earlier of:

1. the end of the third year of APAC (i.e. case in the membership fee invoice for the fourth year of APAC); or
2. when the initial adjustment is equal to or less than 10% of the APAC annual fee that would have been billed to the member based on member organisation’s billing profile changes since joining APAC.
3. REVIEW

The formula will be reviewed and refined by the APAC Executive Committee, at least every 2 years.

1. AMENDMENT TABLE

This table provides a summary of the changes to the document with this issue.

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| --- | --- |
| **Section(s)** | **Amendment(s)** |
| All | New issue on establishment of APAC. |
| End |  |