



Title	Indicative cessda-ERIC Business Plan (D3.2a)
Work Package	WP3
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Dissemination Level	PU (Public)

This Business Plan is a revision of an earlier document prepared as part of the CESSDA-PPP and submitted for discussion to the CESSDA General Assembly and meetings of potential funders. It should be noted that this document should not be seen as a full Business Plan as such a plan cannot be finalised until such time that (a) it is known how many countries will be a position to join the initial ERIC, and (b) the contributing funders make decisions about the pace they wish to grow the ERIC; how set-up and developmental costs are to be met; and over what period of time. Consequently, this document focuses attention of highlighting key issues which will inform the drawing up of a full Business Plan and provides a number of indicative financial scenarios to support this process.

1. Starting points

It has been estimated that the new cessda-ERIC will cost around an average of €1.8 million per year. This is an estimated ‘steady state’ figure (i.e. one which assumes that the ERIC is reasonably mature and fully operational) based on proposed activities and the staffing level and related resources needed to undertake them.

Prior to reaching steady-state the new ERIC will need to go through a set-up phase in which additional investments, pro rata, will be required for technical development in particular, in order to build tools and middleware which will underpin the integrated data infrastructure. However, it is possible to both concentrate this set-up phase into a shorter timeframe, or to stretch it out over a number of years, depending on the resources available. One of the issues facing the cessda-ERIC in terms of a business model will be how to fund this set-up phase and reconcile this against the funding of the activities of the ERIC *per se*.

An inter-related key issue will be the pace and scale of growth of the cessda-ERIC. Essentially, income and therefore the level of activities which can be supported and the

pace at which the ERIC can develop will not only be dependent upon its ability to attract new members. Likewise, it will need to decide, strategically how quickly to attempt to grow and develop the ERIC and plan targets accordingly.

An inter-related key issue will be the pace and scale of growth of the cessda-ERIC. The level of activities which can be supported and the pace of growth of the ERIC's development depend on income which in turn is dependant on the size of membership. Consequently, there is a need for a strategic decision on how quickly to attempt to grow and develop the ERIC. Targets then must be planned accordingly.

The cessda-ERIC is particularly fortunate in that it has received a commitment from both Norway and Germany to contribute a combined sum of approximately €1.2 million per annum for an initial five-year period on the basis of a joint hosting arrangement. The model of a single country contributing a disproportionate amount in order to 'host' the facility proposed by ESFRI is principally designed for large-scale facilities in which physical location is a significant factor, and brings differential benefit to the country in which it is located. This is not true of the cessda-ERIC given its virtual and distributed nature. Whilst there are arguably a number of negative aspects to the model, related to the reduction of flexibility within the virtual distributed infrastructure, a key advantage to CESSDA of having a country offering differential membership fees is the potential to enable other countries to join at a lower cost, and thus maximise the number of countries which can afford to join. Likewise, and inter-related, the extra contribution would potentially allow the ERIC to reach a level of 'steady state' earlier.

2. Set-up phase

As mentioned above, the new cessda-ERIC will need to go through a development set-up phase prior to reaching 'steady-state'. During this development phase work will need to be carried out on establishing a technical infrastructure. This will incur additional costs separate from the 'steady state' operational costs. An early challenge for the ERIC will be to determine how it will fund this set-up phase, and over what period of time the phase should extend. In part, both these issues will depend on income from the initial membership.

Basically, the development phase could be funded either (a) from within the contributions of the initial ERIC membership (including the additional contribution from Germany and Norway), or (b) externally from other sources, or (c) a combination of the two.

In relation to (b), the EC had discussed the possibility of a future FP7 call for social science and humanities ERICs (cessda, SHARE, ESS and DARIAH) to fund technical 'construction' common across the ERICs. If successful, this possibility would hopefully enable the cessda-ERIC to finance most of its developmental tasks under this umbrella. However, not all of the required developments may be able to be resourced in this way, and the Funders will need to have in place alternative plans for any potential shortfall.

In addition to the creation of the required technical infrastructure, the cessda-ERIC in its development phase will ideally also incur costs additional to its 'steady-state' operational budget related to promotion and what might best be termed 'expansion-based' activities.

3. Pace and scale of growth

This issue needs to be fully considered and explored by the funders at the earliest opportunity as it is critical to understanding and developing a Business Plan.

It has to be recognised as a starting point that the new cessda-ERIC will possibly not achieve full interoperability until the set-up phase is completed. In particular it is not possible to have an integrated data infrastructure without an appropriate technical platform in place, including a cross-border AAA system. This alone will take time to build, although much has been achieved already through the PPP work. This then begs the following question. When should the cessda-ERIC aim to achieve 'steady-state' status?

There are two further related considerations to address. First, given the high probability that not all of the current CESSDA member countries will join as Full Members when the ERIC is initially established - for a variety of reasons, but mainly because Ministries/Funders are not yet able to commit in the current climate, or the national research infrastructure is not yet sufficiently developed/resourced - does the cessda-ERIC need to be operating at full 'steady state' capacity at the same time as the set-up phase is underway?

Second, turning this issue the other way around, before the set-up phase is completed and the ERIC can offer a fully working integrated data infrastructure which other countries can plug into, its capacity to attract and develop membership may not reach full potential. Thus, there is a circular problem.

This second point is related to another circular problem which has to be resolved, and which has financial implications. Unlike other ERICs, membership of the cessda-ERIC requires its members to provide things other than financial contributions. In short, membership, according to the Statutes, is conditional not only on money but also the country fulfilling certain criteria and providing national data services according to minimum agreed conditions. Thus membership does not depend on the level of financial contribution alone. In essence there should be a membership process in which applications to join should be examined and vetted.

The original formulation was that such evaluations should be undertaken by the cessda-ERIC itself (drawing on external independent expertise). Yet logically there is an obvious problem with this. You can't have an ERIC without members, and you can't have members without an open and fair vetting process. This points to the potential conclusion that there should be an intermediate stage between now and establishing the cessda-ERIC during which initial applications are invited, a membership committee with appropriate authority and expertise is established, and initial membership applications are examined

prior to a formal ERIC being formed. Given what has previously been discussed about the timing of the set-up phase and the fact that technical (and legal) work needs to be completed before the ERIC can be operational, should this be carried out in conjunction with the set-up phase?

4. Financial scenarios

Based on the issues and questions raised in the previous sections, what follows is a set of different generic high-level scenarios regarding the potential expenditure and income of the future cessed-ERIC. In order to move forward and prepare a full Business Plan, what the potential funders need to consider urgently is which basic scenario they feel most appropriate in relation to the longer term sustainability and operational needs. Once a preferred scenario has been agreed then a fuller Business plan can be developed by the constituted Funder's Steering group.

Scenario One

For this scenario, the following assumptions are made that:

- the ERIC receives a 'hosting' contribution from Norway and Germany of 1.2 million euro per year (indexed) for the first five years;
- from Year five the ERIC will be funded from equal contributions (pro rata) from the membership;
- membership will expand from 6 Full and 2 Associate Members in Year one (conservative estimate) to 18 Full and 8 Associate members in Year eight;
- the full costs of an early and intensive 'set-up investment phase' are forthcoming from a future EC FP7 call;
- the ERIC is fully financed and operational in the short term, reaching 'steady state' within year one;
- Associate Member fees are on average half those of Full Member fees.

The potential financial consequences of this scenario for members is that for the first five years membership fees for Full Members could average of €60k (varying from within a range of approximately €30-40k depending on size and GDP of country).

Scenario Two

For this scenario, the following assumptions are made that:

- the ERIC receives a 'hosting' contribution from Norway and Germany of 1.2 million euro per year (indexed) for the first five years;
- from year five the ERIC will be funded from equal contributions (pro rata) from the membership;
- membership will expand from 6 Full and 2 Associate Members in Year one (conservative estimate) to 18 Full and 8 Associate members in Year eight;
- the costs of a 'set-up development phase' are at a lower level, paid for by the membership and spread over a seven-year period;
- the ERIC is grown operationally gradually over the first 4 years, reaching 'steady state' by year five;
- Associate Member fees are on average half those of Full Member fees.

FP7-212214

The potential financial consequences of this scenario for members is that membership fees are kept very low increasing from €40k in year one to €80k in year seven for Full Members (varying slightly depending on size and GDP of country).

Scenario One

Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Management function	700,000	724,500	749,858	776,103	803,266	831,380	860,479	890,595
Promotion & Outreach function	228,000	235,980	244,239	252,788	261,635	270,792	280,270	290,080
Technical Development function	495,000	512,325	530,256	548,815	568,024	587,905	608,481	629,778
Standards Development function	230,000	238,050	246,382	255,005	263,930	273,168	282,729	292,624
Training function	149,000	154,215	159,613	165,199	170,981	176,965	183,159	189,570
<i>Sub-Total</i>	<i>1,802,000</i>	<i>1,865,070</i>	<i>1,930,347</i>	<i>1,997,910</i>	<i>2,067,836</i>	<i>2,140,211</i>	<i>2,215,118</i>	<i>2,292,647</i>
Set-up investment	1,100,000	1,300,000	600,000					
Contingency					50,000	100,000	150,000	200,000
Total spend	2,902,000	3,165,070	2,530,347	1,997,910	2,117,836	2,240,211	2,365,118	2,492,647
Income								
Differential member contribution(s)	1,200,000	1,242,000	1,285,470	1,330,461	1,377,028		-	-
EC	1,100,000	1,300,000	600,000					
Average cost per Full Member	60,000	60,000	60,000	60,000	60,000	100,000	100,000	110,000
Average cost per Associate Member	30,000	30,000	30,000	30,000	30,000	50,000	50,000	55,000
n. of Full Members	6	8	12	14	14	16	18	18
n. of Associate Members	2	6	6	4	6	6	8	8
Total income	2,720,000	3,202,000	2,785,470	2,290,461	2,397,028	1,900,000	2,200,000	2,420,000
Accumulative surplus/(deficit)	(182,000)	(145,070)	110,053	402,604	681,796	341,585	176,467	103,819

Scenario Two

Expenditure	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
Management function	400,000	500,000	600,000	700,000	803,266	831,380	860,479	890,595
Promotion & Outreach function	100,000	150,000	200,000	225,000	261,635	270,792	280,270	290,080
Technical Development function	250,000	350,000	450,000	500,000	568,024	587,905	608,481	629,778
Standards Development function	100,000	150,000	200,000	225,000	263,930	273,168	282,729	292,624
Training function	50,000	80,000	110,000	140,000	170,981	176,965	183,159	189,570
<i>Sub-Total</i>	<i>900,000</i>	<i>1,230,000</i>	<i>1,560,000</i>	<i>1,790,000</i>	<i>2,067,836</i>	<i>2,140,211</i>	<i>2,215,118</i>	<i>2,292,647</i>
Set-up investment	150,000	150,000	150,000	150,000	100,000	100,000	100,000	
Contingency					50,000	100,000	150,000	200,000
Total spend	1,050,000	1,380,000	1,710,000	1,940,000	2,217,836	2,340,211	2,465,118	2,492,647
Income								
Differential member contribution(s) EC	1,200,000	1,242,000	1,285,470	1,330,461	1,377,028		-	-
Average cost per Full Member	40,000	40,000	60,000	60,000	80,000	80,000	80,000	100,000
Average cost per Associate Member	20,000	20,000	30,000	30,000	40,000	40,000	40,000	50,000
n. of Full Members	6	8	12	14	14	16	18	18
n. of Associate Members	2	6	6	4	6	6	8	8
Total income	1,480,000	1,682,000	2,185,470	2,290,461	2,737,028	1,520,000	1,760,000	2,200,000
Accumulative surplus/(deficit)	430,000	732,000	1,207,470	1,557,931	2,077,123	1,256,912	551,794	259,147