Zentraler Personalausschuss
Central Staff Committee
Le Comité Central du Personnel

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Some basics of asset and liabilities.

The President published a reply to our finding that more than € 6 billion of assets were forgotten. It contained surprising misconceptions which cannot be left unanswered.
We are all more than happy, that in the WG on Financial Measures, we can discuss such topics with the experts once they find time for it.

In his latest communiqué, Mr Campinos does not contest the fact disclosed by the CSC, but tries to justify it by stating that "...*it is […] important to ensure we don't borrow from future potential revenue*". This is an odd concept of borrowing. If you borrow money, you have a liability. The reason is most times the desire to spend money already today and pay it back with future income. Also promises like pension payments are liabilities for the pension provider, in our case the EPO.

What is a liability?
"A liability, in general, is an obligation to, or something that you owe somebody else. ... Liabilities are settled over time through the transfer of economic benefits including money, goods, or services."[1]
If you have a liability it often requires from you as the owner of it **to provide future cash flows**. However, the EPO doesn't provide future cash flows for the National Renewal Fees (NRF). Indeed, it will receive future cash flows from it. Which brings us to the concept of an asset, the exact contrary of a liability.

What is an asset?
"An asset can be thought of as something that, in the future, can generate cash flow, reduce expenses, or improve sales, regardless of whether it's manufacturing equipment or a patent."[2]
The concept of an asset is thus different to a liability. Owning a house is an example for an asset as it can be rented and generates future income. Indeed, the value of a house is frequently expressed in multiples of the annual rent. Similarly, IP rights can generate future income. The same holds true with NRF due after 2038 for work performed before 2038. The EPO **will receive future cash flow** from it without having notable expenses related thereto. This is typical for an asset.

So far, we met nobody who explained, that receiving future cash flows is equivalent to borrowing money thus paying future cash flows. We are sure that Mr. Campinos could ask advice from his specialised departments before publishing such statements.

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[1] https://www.investopedia.com/terms/l/liability.asp
[2] https://www.investopedia.com/terms/a/asset.asp

The question of whether or not the cash flow is required to *“pay for our day-to-day operations, including salaries”* is unrelated thereto. Indeed, if you own a house, you have an asset. You will probably need the rent to buy your daily food. The use of the cash flows from the rent doesn't evidently change the fact that the house is an asset.

Mr Campinos further adds: “*It is also the management's responsibility to make sure that staff retiring after 2038 - and not just those retiring in the coming years - have full access to their pensions*”. We agree to that.
However, what Mr. Campinos now does is to understate assets to justify cutting staff benefits. This will add to the effects of the defective and unfair New Career System which is directly responsible for destroying the pension prospects of recently recruited colleagues, i.e. precisely for those who will retire after 2038.

The income from NRF due after 2038 but originating from patents issued before 2038 meet the definition of an asset in 2038.

It wasn't included in the Financial Study. Why?
Because it wouldn’t provide the justification to cut staff’s income?

Your Staff Committee