

## INTERPARENTS

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### **Written procedure: 2009/38 – document: 311-D-2009-en-1 Category II contracts**

#### **Remarks of Interparents**

Interparents are of the opinion that doc. 311-D-2009-en-1 is not ready to be submitted to a written procedure. In the first place, discussion on the text of the contract is necessary. Secondly, by choosing this way to approve/reject the document, the Board of Governors does not answer the invitation of the Budgetary Committee “to indicate whether it wishes reflection on the financial contribution in the form of school fees payable by Category II organisations to be continued and if so, according to which criteria”.

Interparents ask to incorporate the observations made by several members of the Board of Governors in the Financial and Administrative Committee / Budgetary Committee into the text of the contract, allow for further reflection on the calculation of the Category II school fees and table the document again in the April 2010 meeting of the Board of Governors.

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As a contribution to the discussion, Interparents wish to make the following points.

#### **I. Content of the Contract**

The text of the contract needs to be adapted to take account of the fact that there is a broad spectrum of families paying Category II fees.

Time has passed that only big companies were interested in the Category II status and that these companies had their expat employees working under just one type of contract.

Currently the Category II fees of some pupils are fully paid for by companies, whilst others families receive a partial reimbursement, some receive expatriation benefits for a few years before becoming local staff and still others own small or family companies or pay out of their own pockets. In addition, school fees for officials of governmental and intergovernmental organisations other than EU, but also representing their governments who are already paying into the European School system, are the same as those for international, or national, profit-making companies.

Straightforward solutions such as reductions for brothers and sisters must be implemented and it should be considered to work with different fee levels for nursery, primary and secondary school.

Interparents do not agree with the presumption that Category II pupils will remain enrolled as such for the remainder of their years at school with no suggestion of flexibility of going into Category III status depending on the individual circumstances (Art. 1). As stated above, it is a spreading practice in companies to allow expat allowances only for a limited number of years and then change the employee to a local contract.

Further, the proposed Category II contract is very one-sided. Even if the Preamble indicates that there are specific rights and obligations for both parties, the agreement only covers concerns of the school - admission conditions, financial provisions, determination of the contribution, payment arrangements, refunding, penalties, notice of termination, jurisdiction clause, etc. The contract does not mention the obligations of the schools nor a definition of an "entitled pupil".

It is counterproductive that the admission of the Category II pupils can only be allowed when it does not lead to division of classes or additional expenditure – prohibition of division of classes (Art. 3). Big companies signing contracts need the assurance that all their students will be accepted.

Interparents and other delegations agree that there needs to be a greater reflection on the Category II status in general and certainly further thought given to the Contract.

## **II. Calculation of school fees**

The basic point of view of Interparents is that the Category II fees should not exceed the contribution that the Commission pays per pupil. Otherwise taxpaying companies subsidize the Commission's school fee expenditures.

Regarding the way in which the Category II school fees should be calculated we have the following observations.

The core question of the issue has been formulated some of years ago by the researchers from the ULB in the context of the fees working group: What is the revenue maximization level of school fees? To answer this question it is necessary to establish how sensitive Category II organisations are to a changed cost impact of school fees. This is very difficult to establish, because the "cost impact" does not just depend on the fee-levels but also on the company's revenue levels. It is therefore also difficult to "calculate" the overall price elasticity for the Category II fees.

This said, the hypothesis of aligning Category II fees to the average cost of pupils across the system is a logical solution. It seems unlikely that the Category II organisations in areas around small schools, should be "richer" than organisations around big schools. But the way fees are calculated now, these companies pay proportionally more for the same service as the cost per pupil is higher and they are the ones most likely not to renew the contracts.

The considerations of the Budgetary Committee about budget neutral solutions is based on an assumption that if the fees are kept unchanged, there will be no budget impact. This is a wrong assumption. If the Category II fees would be averaged across the system (meaning that 600 pupils mainly in Varese, Karlsruhe and Mol would get a fee reduction of 25%) that would just keep 80 pupils in the system that would otherwise leave and then the averaging of the fees IS budget neutral.

Our conclusion can only be that the fee averaging across the system makes sense and that even in the worst scenario it is still more cost neutral than just doing nothing.

## **III. Representation of Category II signatories.**

The Category II members of all European Schools have a valuable contribution to make to this discussion and deserve greater representation in view of their ever increasing role in sharing the financial burden sharing. Recognition of the role of Category II pupils is long overdue and needs to be addressed particularly in view of the Reforms and also of the ever changing business and financial environment. Adequate representation of the Category II signatories in the local and central governance of the schools is needed.

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