

ASTM TEST MONITORING BOARD MEETING
March 31, 2005

Embassy Suites O'Hare
Chicago, IL

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A special meeting of ASTM D02.B0.08, the Test Monitoring Board (TMB), was held on Thursday, March 31, 2005 at 3:10 p.m. in the Board Room West of the Embassy Suites O'Hare in Chicago, Illinois. Nine voting members (Greg Shank held the proxy of Abdul Cassim) and two non-voting members were present. The attendance roster is shown in Attachment A.

Chairman Gordon Farnsworth reviewed the purpose of the meeting and the agenda, shown in Attachment B. A summary of each agenda item is presented below.

1. Updated TMC Budget Outlook for 2005, 2006, and 2007

Administrative Guidance Committee (AGC) Chairman Walter Groff presented a report (Attachment C) on the Test Monitoring Center (TMC) financial status including revised forecasts for 2005, 2006, and 2007. TMC financial performance during the fourth quarter of 2004 suggested that the original forecasts developed in August 2004 were not being met due to lower than expected revenue. In January 2005, the AGC asked the TMC to poll the testing laboratories for updated reference testing estimates for 2005. The results of this poll showed a significant reduction in the number of reference tests projected for 2005, primarily for gasoline engine tests. The revised forecasts for 2005, 2006, and 2007 showed large and increasing shortfalls over this time period as well as erosion of TMC reserve funds. The AGC requested a special meeting of the TMB to receive a report from the TMC on potential actions to reduce expenses and to discuss options to resolve the expense/revenue imbalance.

John Zalar presented a review of current operations at the TMC and a summary of trends in operating budgets, reference testing, and oil distribution over the period 1996 to 2005 (Attachment D). He then discussed potential options to reduce TMC expenses through reductions in staff, including some of the anticipated internal and external impacts associated with such actions.

2. Discussion of Budget Outlook Issues

The TMB discussed the revised forecasts and agreed that they were reasonable based on anticipated industry testing activity for the period 2005 through 2007. It was further agreed that, at the present time, there are no known events or requirements that would cause a significant increase in testing over the next three years, given that the impact of the new PC-10 category has already been factored into the revised forecasts.

3. Discussion on Resolution of TMC Expense/Revenue Imbalance

There was extensive discussion of potential actions to resolve the TMC expense/revenue imbalance. Consideration was given to each of the following solutions:

1. Continue to absorb the imbalance via further reductions in TMC reserve funds.
2. Increase reference test fees.
3. Reduce TMC staff.
4. Combinations of the above.

Based on the discussion, it was agreed that an immediate action plan was needed to address the TMC expense/revenue imbalance and that the action plan should have broad TMB support.

4. Action Plan to Handle TMC Expense/Revenue Imbalance

Lew Williams made a motion to reduce TMC staff by four positions and increase reference fees as needed to balance TMC budgets through 2007, but with a maximum of 25%. Norbert Nann seconded the motion. The motion failed by a vote of four in favor and five against.

Greg Shank then made a motion to reduce TMC staff by three positions and increase reference fees as needed to balance TMC budgets through 2007, but with a minimum of 20% and a maximum of 30%. Norbert Nann seconded the motion. The motion passed by a vote of nine in favor and zero against.

5. Action Plan Implementation

The staff reductions were scheduled to be carried out by John Zalar on April 1, 2005 in accordance with all relevant Carnegie Mellon University policies. The AGC was charged with recommending to TMB the percentage fee increase that would be needed to balance the TMC budgets through 2007. After TMB review and approval of the recommended fee increase, the TMB will seek the approval of ASTM Subcommittee D02.B.

The next TMB meeting is scheduled for June 20, 2005 in Pittsburgh, Pennsylvania. The meeting was adjourned at 4:45 p.m.

Respectfully submitted,



John L. Zalar, Secretary
ASTM Test Monitoring Board

JLZ/jlz

Attachments


Attachment A

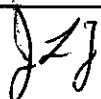
ASTM TEST MONITORING BOARD
Special Meeting
March 31, 2005
Executive Board Room – Embassy Suites O’Hare
Chicago, Illinois

Voting Members

NAME	COMPANY AND ADDRESS	PHONE NUMBER E-MAIL ADDRESS FAX NUMBER	PRESENT
Abdul Cassim	Caterpillar Inc. Building H2000 Old Galena Road P. O. Box 610 Mossville, IL 61552-0610	Phone: (309) 578-9096 e-mail: cassim_abdul_h@cat.com FAX: (309) 578-3563	
Thomas Cousineau	Afton Chemical Corporation 500 Spring Street P.O. Box 2158 Richmond, VA 23218-2158	Phone: (804) 788-6282 e-mail: tom.cousineau@aftonchemical.com FAX: (804) 788-6244	TJC
Gordon Farnsworth	Infineum USA L.P. 1900 East Linden Avenue Linden, NJ 07036-0536	Phone: (570) 934-2776 e-mail: gordon.farnsworth@infineum.com FAX: (908) 474-3637	GDF
Hannah Murray	Toyota Technical Center USA 1588 Woodridge Avenue Ann Arbor, MI 48105-9773	Phone: (734) 995-3762 e-mail: hmurray@ttc-usa.com FAX: (734) 995-5971 995-9049	H.M.
Norbert Nann	Nann Consultants, Inc. 59 Edgehill Drive Wappingers Falls, NY 12590	Phone: (845) 297-4333 e-mail: norbnann1@aol.com FAX: (845) 297-4334	N.N.
Greg Shank	Mack Trucks 13302 Pennsylvania Avenue Hagerstown, MD 21742	Phone: (301) 790-5817 e-mail: greg.shank@volvo.com FAX: (301) 790-5815	G.S.
Robert Stockwell	GM Power Train Engineering Ctr. GM Corporation Mail Code 480-734-801 30003 Van Dyke Warren, MI 48105-9773	Phone: (810) 492-2268 e-mail: robert.stockwell@gm.com FAX: (810) 575-2732	R.S.
Matthew Urbanak	Shell Global Solutions US Westhollow Technology Center 3333 Highway 6 South Houston, TX 77082	Phone: (281) 544-9277 e-mail: matthew.urbanak@shell.com FAX: (281) 544-8150	M.U.
Lew Williams	The Lubrizol Corporation 29400 Lakeland Boulevard Wickliffe, OH 44092	Phone: (440) 347-1111 e-mail: lawm@lubrizol.com FAX: (440) 944-8112	L.W.

Non-Voting Members

NAME	COMPANY AND ADDRESS	PHONE NUMBER E-MAIL ADDRESS FAX NUMBER	PRESENT
Don Bartlett	The Lubrizol Corporation 29400 Lakeland Boulevard Wickliffe, OH 44092-2298	Phone: (440) 347-2388 e-mail: dtb@lubrizol.com FAX: (440) 347-2878	
William Buscher, III	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-6802 e-mail: wbuscher@swri.org FAX: (210) 684-7523	
G. E. Callis	Spectrum Corporation 1523 SE Prestwick Lane Port St. Lucie, FL 34952-6038	Phone: (561) 337-5060 e-mail: ecallis@spectrumcorporation.com FAX: (561) 337-5061	
Mark Devlin	Afton Chemical Corporation 500 Spring Street P.O. Box 2158 Richmond, VA 23218-2158	Phone: (804) 788-6322 e-mail: mark.devlin@aftonchemical.com FAX: (804) 788-6388	
Joe Franklin	PerkinElmer Automotive Research 5404 Bandera Road San Antonio, TX 78238-1933	Phone: (210) 523-4671 e-mail: joe.franklin@perkinelmer.com FAX: (210) 681-8300	
Tom Franklin	PerkinElmer Automotive Research 5404 Bandera Road San Antonio, TX 78238-1933	Phone: (210) 647-9446 e-mail: tom.franklin@perkinelmer.com FAX: (210) 523-4607	
Fred Gerhart	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-3842 e-mail: fgerhart@swri.org FAX: (210) 684-7523	
John Glaser	PerkinElmer Automotive Research 5404 Bandera Road San Antonio, TX 78238-1933	Phone: (210) 647-9459 e-mail: john.glaser@perkinelmer.com FAX: (210) 684-6074	
Frank Gotto	The Lubrizol Corporation 29400 Lakeland Blvd. Wickliffe, OH 44092-2298	Phone: (440) 347-8087 e-mail: fjg@lubrizol.com FAX: (440) 347-8101	
Rebecca Grinfield	Southwest Research Institute 6620 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-3652 e-mail: bgrinfield@swri.edu FAX: (210) 684-5907	
Walter Groff	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-2823 e-mail: wgroff@swri.edu FAX: (210) 684-7523	
Brian Koehler	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-3588 e-mail: bkoehler@swri.edu FAX: (210) 680-1777	
Cory Koglin	Afton Chemical Corporation 500 Spring Street P.O. Box 2158 Richmond, VA 23218-2158	Phone: (804) 788-5305 e-mail: cory.koglin@aftonchemical.com FAX: (804) 788-6358	
Patrick Lai	Imperial Oil, Limited 453 Christina St. S Sarnia, Ontario CANADA N7T 8C8	Phone: (519) 339-5611 e-mail: patrick.s.lai@esso.com FAX: (519) 339-5866	

Charlie Leverett	PerkinElmer Automotive Research 5404 Bandera Road San Antonio, TX 78238-1933	Phone: (210) 647-9422 e-mail: charlie.leverett@perkinelmer.com FAX: (210) 523-4607	
Jim McCord	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-3439 e-mail: jmccord@swri.edu FAX: (210) 523-6919	
Susan Milczewski	The Lubrizol Corporation 29400 Lakeland Boulevard Wickliffe, OH 44092-2298	Phone: (440) 347-8174 e-mail: smm@lubrizol.com FAX: (440) 347-8061	
William Nahumck	The Lubrizol Corporation 29400 Lakeland Blvd. Wickliffe, OH 44092-2298	Phone: (440) 347-2596 e-mail: wmn@lubrizol.com FAX: (440) 347-4096	
Kenneth Pearson	ASTM 100 Barr Harbor Drive West Conshohocken, PA 19428	Phone: (610) 832-9672 e-mail: kpearson@astm.org FAX: (610) 832-9666	
Mark Sarlo	Southwest Research Institute 6220 Culebra Road San Antonio, TX 78228-0510	Phone: (210) 522-3754 e-mail: msarlo@swri.edu FAX: (210) 523-6919	
Chris Schenkenberger	The Lubrizol Corporation 29400 Lakeland Blvd. Wickliffe, OH 44092-2298	Phone: (440) 347-2927 e-mail: csc@lubrizol.com FAX: (440) 347-2878	
Dale Smith	PARC Technical Service, Inc. 100 William Pitt Way Pittsburgh, PA 15238	Phone: (412) 826-5051 e-mail: dbs@usaor.net FAX: (412) 826-5443	
Warren Totten	Cummins Engine Company Mail Code 50183 P.O. Box 3005 Columbus, IN 47201	Phone: (812) 377-3429 e-mail: warren.a.totten@cummins.com FAX: (812) 377-7808	
Wim van Dam	Chevron Oronite 100 Chevron Way Richmond, CA 94802	Phone: (510) 242-1404 e-mail: wvda@chevron.com FAX: (510) 242-3173	
Stefan Von Lukawiecki	Safety-Kleen Canada, Inc. 300 Woolwich Street South Breslau, Ontario NOB 1M0 CANADA	Phone: (519) 648-2291 e-mail: svonluka@safety-kleen.com FAX: (519) 648-2033	
Jerry Wang	Cummins Engine Company 1900 McKinley Avenue Columbus, IN 47201-3005	Phone: (812) 377-2267 e-mail: j.c.wang@cummins.com FAX: (812) 377-7808	
Claire Whitton	Afton Chemical Corporation 500 Spring Street P.O. Box 2158 Richmond, VA 23218-2158	Phone: (804) 788-5052 e-mail: claire.whitton@aftonchemical.com FAX: (804) 788-6243	
John Zalar	ASTM Test Monitoring Center 6555 Penn Avenue Pittsburgh, PA 15206-4489	Phone: (412) 365-1005 e-mail: jlz@astmtmc.cmu.edu FAX: (412) 365-1047	

**ASTM Test Monitoring Board
Special Meeting
March 31, 2005 (3:00 – 5:00 PM)
Executive Board Room – Embassy Suites O'hare
Chicago, Illinois**

- | | |
|---|------------------------------------|
| 1. Updated TMC Budget outlook for 2005, 2006, 2007 | Walter Groff
John Zalar |
| 2. Discussion of budget outlook issues | All |
| 3. Discussion on resolution of TMB Expense / Revenue Imbalance <ul style="list-style-type: none">• Continue to absorb imbalance via Further reduction of reserve funds• Increase reference fees• Reduce TMC Staff• Combinations of above• Other | All |
| 4. Formulate an action plan to handle the TMC Expense / Revenue imbalance that has TMB support | All |
| 5. Agree action plan implementation specifics | All |

**Special Meeting of the ASTM TMB
March 31, 2005**

TMB Voting Members

Matt Urbanak
Tom Cousineau
Lew Williams
Hannah Murray
Robert Stockwell
Greg Shank
Abdul Cassim
Norbert Nann
Gordon Farnsworth

Special TMB Meeting Presenters

Walter Groff – AGC Chairman (TMC Budget Projections)
John Zalar – TMC Administrator (TMC Expense Reduction)

**AGC REPORT
TO THE
TEST MONITORING BOARD**

**Special Session addressing TMC
Financial Performance**

March 31, 2005

**Fiscal Performance and Projections From
December, 2004 AGC Report**

Fiscal Year	Net	Months Reserve
2004	Breakeven	16.6
2005	\$4,000	16.4
2006	\$9,100	16.1
2007	\$14,700	15.8

Based on Industry information obtained in August of 2004

Detailed information provided in handout

Fourth Quarter TMC FY2004 Financial Update

- **Financial information compiled during the fourth quarter suggested that forecasts were not being met.**
 - Lower than expected revenue

- **Decision made to poll industry again on expected testing levels**
 - Basis for expected TMC revenue

- **Results of second poll were significantly different**
 - Revenue for TMC now expected to be lower

Revised Forecast as Compared to Original

Fiscal Year	Net Original	Net Revised	Months Reserve Original	Months Reserve Revised
2004	Breakeven	-\$198,130*	16.6	15.6
2005	\$4,000	-\$354,000	16.4	12.8
2006	\$9,100	-\$561,000	16.1	9.4
2007	\$14,700	-\$628,000	15.8	5.9

Detailed information attached to handout

*not audited

Revenue decrease of \$338,018 after new poll

Resulting Approach

- **AGC agreed that action was required**

- **Discussed possible solutions internally and with the TMB Chair**
 - **Additional income streams**
 - » **Challenging in the short term**
 - **Fee adjustments**
 - » **Must consider all other options before fee adjustments**
 - **Reducing costs**
 - » **Considered as most appropriate option and the AGC has requested this be pursued by the TMC.**

- **Requested TMB Chair call a special meeting of the TMB to receive a report from the TMC on potential cost savings and discuss options to resolve issue**

Review of the TMC Operations, Financial Trends and Options

- **Dr. John Zalar to provide a review of current operations and trends along with suggested solutions.**
 - **TMC Organizational Chart**
 - **List of TMC Monitored Tests**
 - **Summary of TMC Operating Budgets 1996 to 2005**
 - **Number of chargeable Reference Engine Tests 1996 to 2005**
 - **Number of Reference Gear and Bench Tests 1996 to 2005**
 - **Number of Oil Shipments and Samples 1996 to 2004**
 - **Confirmation of TMC revised budget Plan 2005 – 2007**
 - **TMC Suggestions for reducing costs and impact**



A PROVEN PARTNERSHIP

100 Barr Harbor Drive ■ West Conshohocken, PA 19428-2959
 Telephone: 610-832-9500 ■ Fax: 610-832-9555 ■ e-mail: service@astm.org ■ Website: www.astm.org

Committee D02 on PETROLEUM PRODUCTS AND LUBRICANTS

Chairman: N DAVID SMITH, North Carolina Dept Of Agric, 2 West Edenton St, PO Box 27647, Raleigh, NC 27611, (919) 733-3313, FAX:919-715-0524, Email: david_smith@ncdamail.agr.state.nc.us
First Vice Chairman: SUSAN E. LITKA, UOP Research Center, 50 East Algonquin Road, PO Box 5016, Des Plaines, IL 60017-5016, (847) 391-3390, FAX: 847-391-3330
Second Vice Chairman: KURT H. STRAUSS, 69 Brookside Rd, Portland, ME 04103, (207) 773-4380, FAX: 207-775-6214
Secretary: KENNETH O. HENDERSON, Cannon Instrument Co, PO Box 16, State College, PA 16804-0016, (814) 353-8000, FAX: 814-353-8007, Email: kenohenderson@worldnet.att.net
Assistant Secretary: W JAMES BOVER, EXXON Biomedical Sciences, Mettlers Rd Cn2350, East Millstone, NJ 08875-2350, (732) 873-6318, FAX: 732-873-6009, Email: mailto:james.bover@ere.exxon.sprint.com
Staff Manager: EARL R. SULLIVAN, (610) 832-9709, Email: esulliva@astm.org

February 21, 2005

Mr. Gordon Farnsworth
 Chairman, Test Monitoring Board
 c/o Infineum USA L.P.
 1900 East Linden Avenue
 Linden, NJ 07036-0536

At the December 2004 TMB meeting the AGC report included an update on the current fiscal year financial performance as well as projections for FY2005 and FY2006 financial projections. Those numbers (net) reported in December were:

<u>Fiscal Year</u>	<u>Net</u>	<u>Months Reserve</u>
FY2004	Breakeven	16.6
FY2005	\$4,000	16.4
FY2006	\$9,100	16.1
FY2007	\$14,700	15.8

I have included the details as attachment 1.

These projections were compiled using the best information to date and was gathered in August of 2004. The information is gathered in August to meet the ASTM requirement of providing a budget to ASTM in September.

In January of 2005 it was recognized that the income projections compiled in August of 2004 were not being realized and the decision was made to again poll Industry to obtain updated information on expected testing activity for Calendar 2005. Testing activity directly influences the revenue of the TMC. This review was completed in early February and John Zalar was asked to prepare new projections. These new projections in brief follow.

<u>Fiscal Year</u>	<u>Net</u>	<u>Months Reserve</u>
FY2004	\$-161,000	15.6
FY2005	\$-354,000	12.8
FY2006	\$-561,000	9.4
FY2007	\$-628,000	5.9

The details are in attachment 2.

In addition to the reduced testing volumes projected, industry action over the last 6 months has reduced the referencing frequency required for calibration on the Sequence VIB test. This is significant as the VIB accounted for approximately 25% of the TMC income. Reference test frequency in support of PCMO testing provides more revenue stability to the TMC vs. reference tests to support the HD category. With GF-4 testing moving to maintenance level and not expected to increase until the 2007 or 2008 time frame, this fact will also negatively impact the revenue of the TMC.

The AGC has discussed the current situation, consulted with the Chairman of the TMB and reviewed options with John Zalar. It was determined that before considering raising fees that the TMC should be asked to determine if costs can be cut internally based on the expected lighter work load and to determine if current services can be reduced without jeopardizing the function of the TMC. John Zalar is preparing options to consider for bringing expenses in line with revenue.

We are asking that a special meeting of the TMB be scheduled as soon as practical for discussion on how to best resolve the shortfall in revenue relative to operating expense that is projected for 2005, 2006 and 2007. The discussion will include a review of the updated budget projections, how they were generated, a review of options available, and their impact to the referencing system. The AGC anticipates that the TMB will gain consensus on what action is appropriate to address the shortfall in revenues versus expenses at the proposed special meeting.

I am available to answer any questions that you may have.

Very truly yours,

Walter P. Groff, Chairman
Administrative Guidance Committee

c: Abdul Cassim, Caterpillar Inc.
Thomas Cousineau, Afton Chemical Corp.
Hannah Murray, Toyota Tech Center
Norbert Nann, Nann Consultants, Inc.
Greg Shank, Mack Trucks
Robert Stockwell, GM Power Train Eng Center
Matthew Urbanak, Shell Global
Lew Williams, Lubrizol Corp.
John Glaser, PerkinElmer
Ken Pearson, ASTM
John Zalar, TMC

**ASTM TEST MONITORING CENTER
2005-2007 Business Plan**

(Presented Dec. 2004)

Line Item	2005	2006	2007
Salaries	\$916,000	\$943,000	\$971,000
Temporary Help	\$8,000	\$8,200	\$8,400
Benefits (28.62%)	\$264,000	\$275,000	\$286,000
Overhead	\$611,000	\$631,000	\$651,000
Travel	\$70,000	\$75,000	\$76,500
Telephone	\$20,000	\$20,400	\$20,800
Office Supplies	\$13,000	\$13,300	\$13,600
Reference Oils	\$50,000	\$51,000	\$52,000
Capital	\$20,000	\$20,000	\$20,000
Contract Services	\$30,000	\$30,600	\$31,200
Lab Supplies	\$25,000	\$25,500	\$26,000
Training & Education	\$10,000	\$10,200	\$10,400
Procedure Rewrites	\$15,000	\$15,300	\$15,600
Audit	\$22,000	\$22,400	\$22,800
Total Expenses	\$2,074,000	\$2,140,900	\$2,205,300
Revenues	\$2,078,000	\$2,150,000	\$2,220,000
Revenue-Expense	\$4,000	\$9,100	\$14,700
Interest	\$20,000	\$20,000	\$20,000
Reserves	\$2,843,000	\$2,872,000	\$2,907,000
Months Reserve	16.4	16.1	15.8
Fee Increases	None	None	None
New Tests	PC-10		
Reg. FT Headcount	17	17	17

ASTM TEST MONITORING CENTER
2005-2007 Business Plan
 (After Jan. 2005 Industry Survey)

Line Item	2005	2006	2007
Salaries	\$926,000	\$954,000	\$983,000
Temporary Help	\$8,000	\$8,200	\$8,400
Benefits (28.62%)	\$267,000	\$278,000	\$290,000
Overhead	\$618,000	\$638,000	\$658,000
Travel	\$70,000	\$75,000	\$76,500
Telephone	\$20,000	\$20,400	\$20,800
Office Supplies	\$13,000	\$13,300	\$13,600
Reference Oils	\$50,000	\$51,000	\$52,000
Capital	\$20,000	\$20,000	\$20,000
Contract Services	\$30,000	\$30,600	\$31,200
Lab Supplies	\$25,000	\$25,500	\$26,000
Training & Education	\$10,000	\$10,200	\$10,400
Procedure Rewrites	\$15,000	\$15,300	\$15,600
Audit	\$22,000	\$22,400	\$22,800
Total Expenses	\$2,094,000	\$2,161,900	\$2,228,300
Revenues	\$1,740,000	\$1,600,000	\$1,600,000
Revenue-Expense	(\$354,000)	(\$561,900)	(\$628,300)
Interest	\$20,000	\$20,000	\$20,000
Reserves	\$2,241,000	\$1,699,000	\$1,091,000
Months Reserve	12.8	9.4	5.9
Fee Increases	None	None	None
New Tests	PC-10		
Reg. FT Headcount	17	17	17

Attachment D

List of Attachments

Attachment A – TMC Organizational Chart

Attachment B – List of TMC Monitored Tests

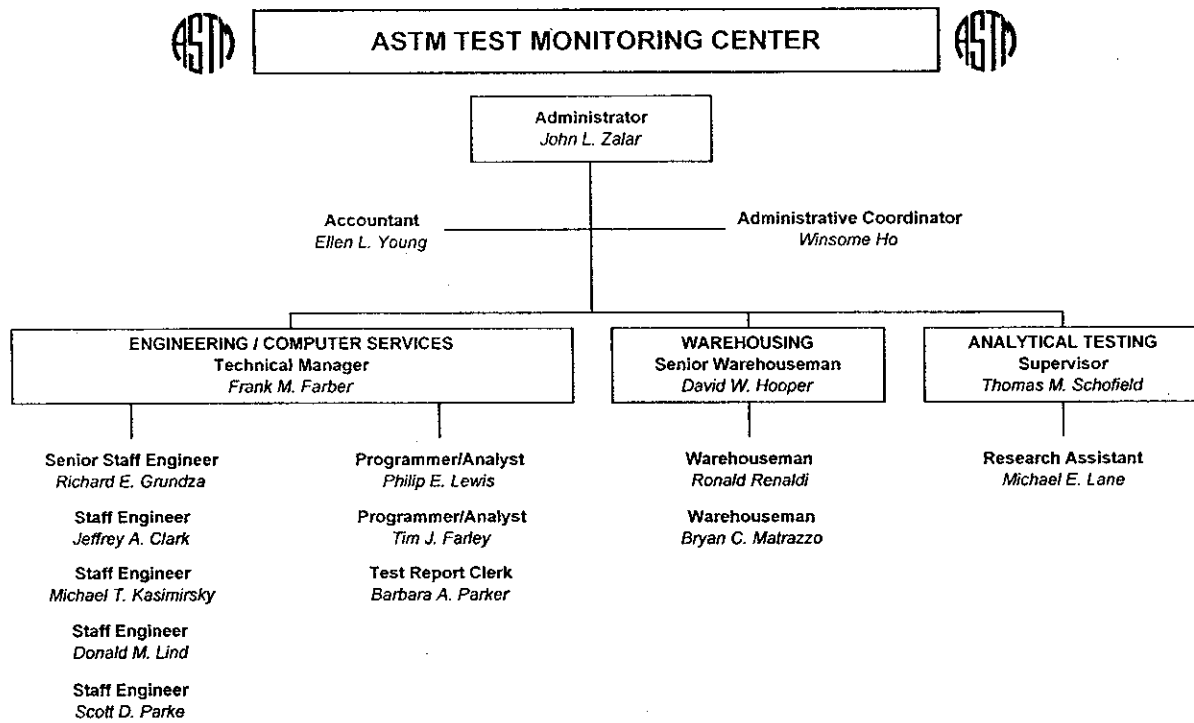
Attachment C – Summary of TMC Operating Budgets 1996 – 2007

Attachment D – Number of Chargeable Reference Engine Tests 1996 – 2005

Attachment E – Number of Reference Gear & Bench Tests 1996 – 2004

Attachment F – Number of Oil Shipments and Samples 1996 – 2004

Attachment G – TMC Three-Year Budget Plan (New Forecast) 2005-2007



ASTM TMC Monitored Tests

Engine & Gear Tests

- Sequence IIF (D6984)
- Sequence IIG/IIIGA
- Sequence IVA (D6891)
- Sequence VG (D6593)
- Sequence VIB (D6837)
- Sequence VIII (D6709)
- 1M-PC (D6618)
- 1K / 1N (D6750)
- 1P (D6681)
- 1R (D6923)
- M11 (D6838)
- M11 EGR (D6975)
- T-8/T-8E (D5967)
- T-10/T-10A (D6987)
- T-11
- 6V92TA (D5862)
- RFWT (D5966)
- EOAT (D6894)
- L-33-1 (D7038)
- L-37 (D6121)
- L-42
- L-60-1 (D5704)
- HTCT (D5579)

Bench Tests

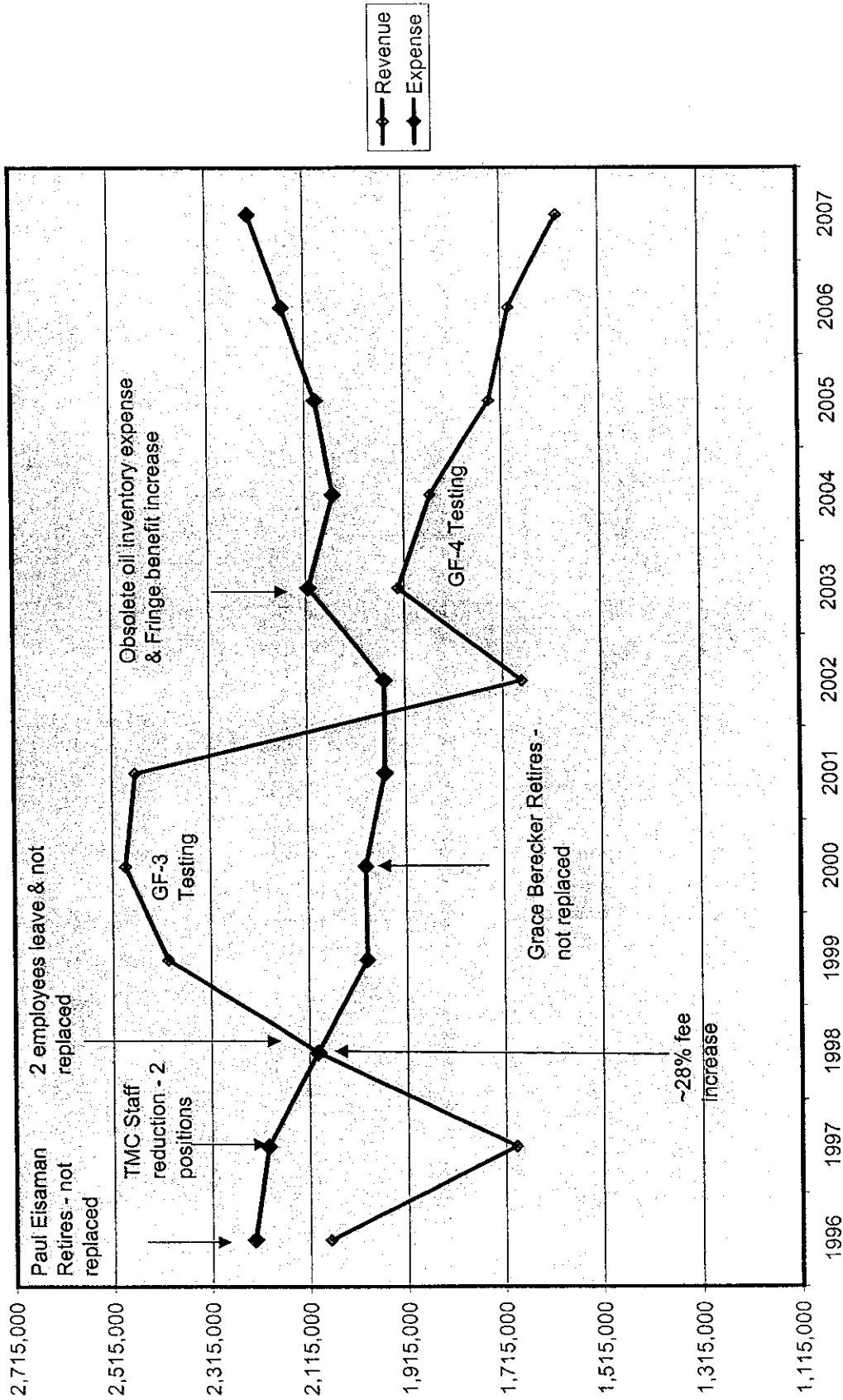
- OSCT (Gears) (D5662)
- Volatility GC (D6417)
- Volatility Noack (D5800)
- Gelation Index (D5133)
- High Temperature Foam (D6082)
- TEOST (D6335)
- TEOST-MHT4
- Ball Rust Test (D6557)
- Engine Oil Filterability Test (D6795)
- Engine Oil Water Tolerance (D6794)
- Corrosion Bench Test (D5968)
- HT Corrosion Bench Test (D6594)
- HD Elastomer Compatibility

Two-Stroke-Cycle

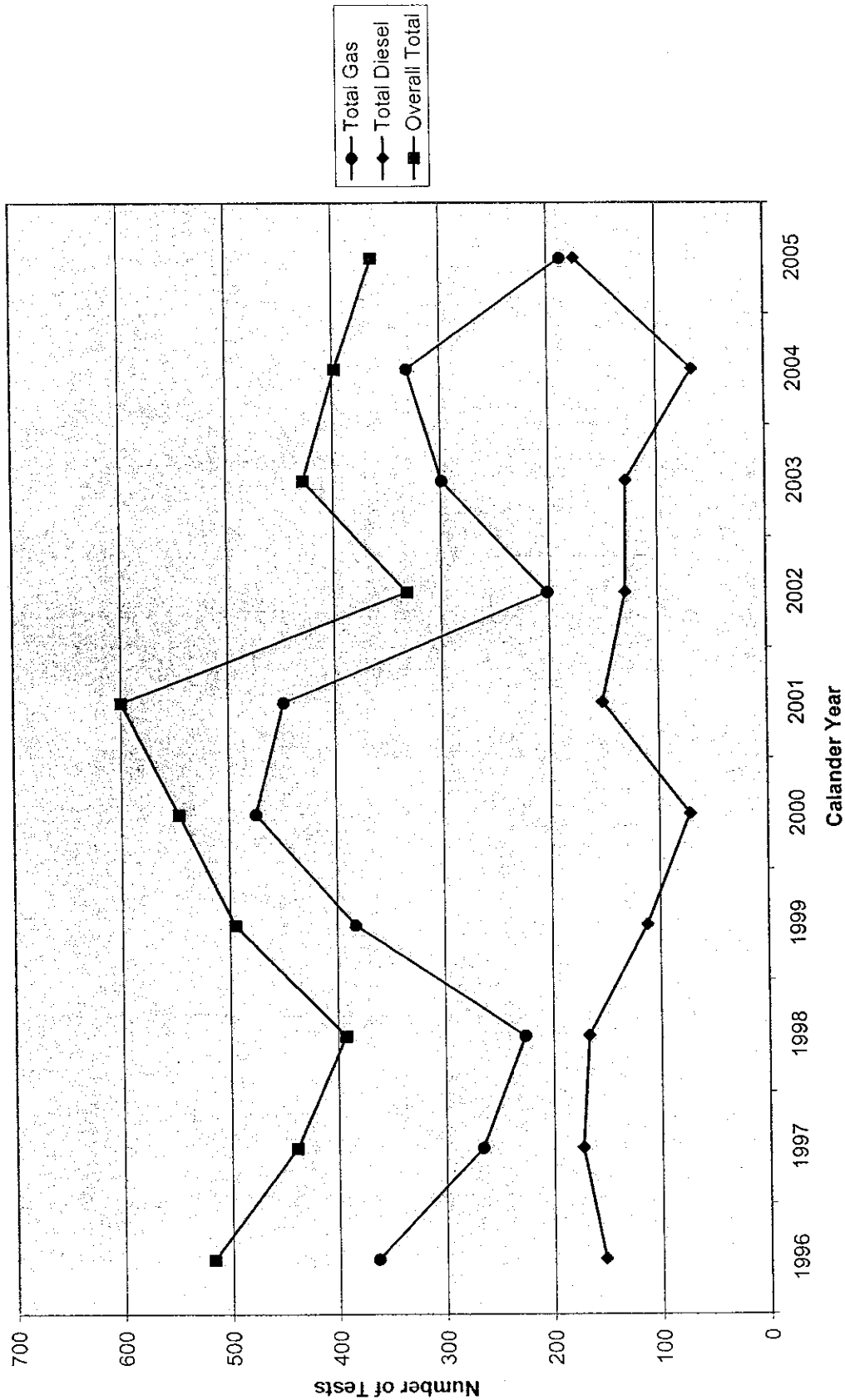
- Ring Sticking (D4857)
- Lubricity (D4863)
- Preignition (D4858)

New Tests for 2005 - Cummins ISB, Cummins ISM, Mack T-12, Caterpillar C-13

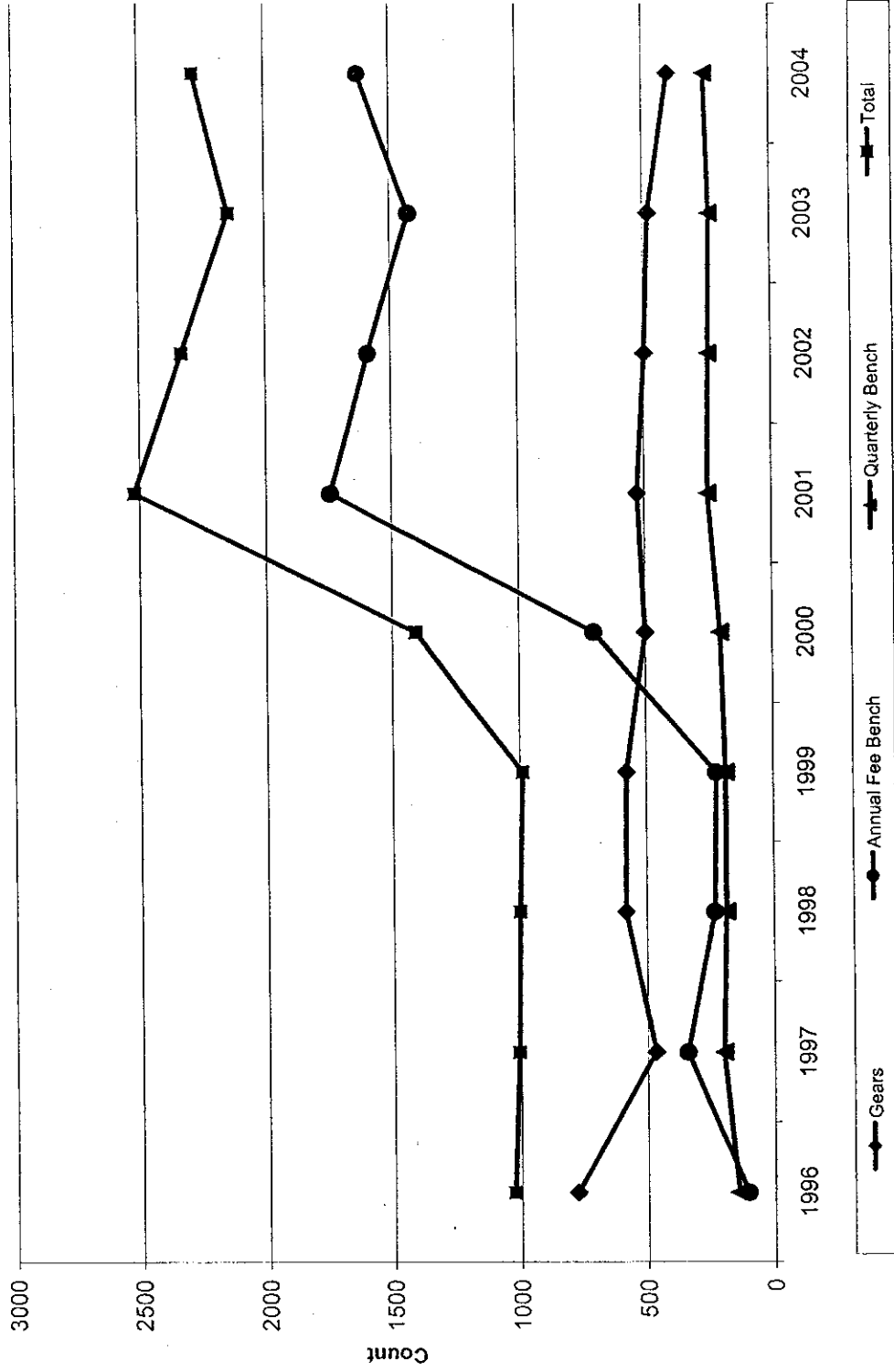
ASTM TMC Operating Budget



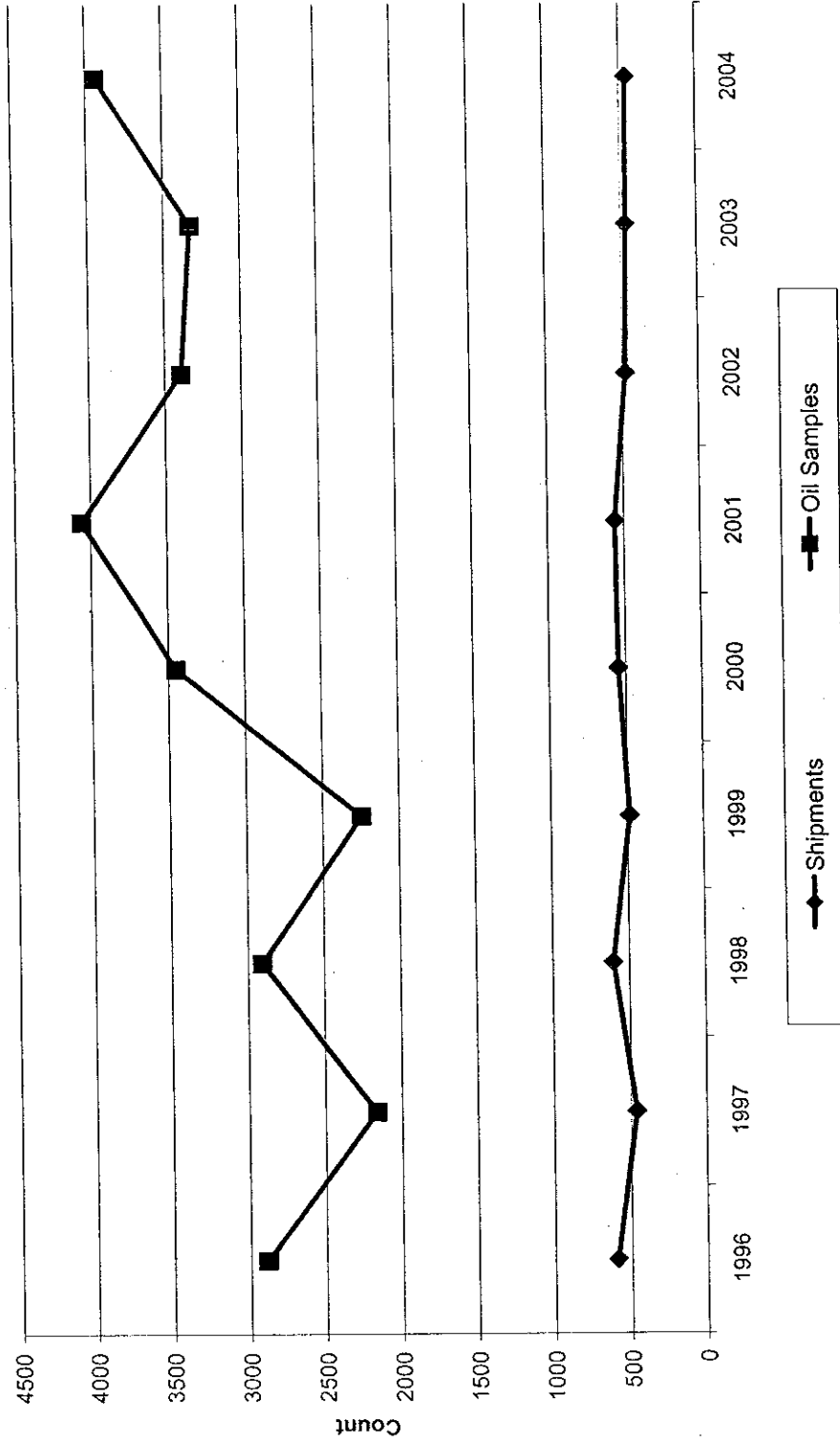
Chargeable ASTM Reference Tests



Gear and Bench Reference Tests



TMC Oil Shipments & Samples



**ASTM TEST MONITORING CENTER
2005-2007 Business Plan (Forecast)**

Line Item	2005	2006	2007
Salaries	\$926,000	\$954,000	\$983,000
Temporary Help	\$8,000	\$8,200	\$8,400
Benefits (28.62%)	\$267,000	\$278,000	\$290,000
Overhead	\$618,000	\$638,000	\$658,000
Travel	\$70,000	\$75,000	\$76,500
Telephone	\$20,000	\$20,400	\$20,800
Office Supplies	\$13,000	\$13,300	\$13,600
Reference Oils	\$50,000	\$51,000	\$52,000
Capital	\$20,000	\$20,000	\$20,000
Contract Services	\$30,000	\$30,600	\$31,200
Lab Supplies	\$25,000	\$25,500	\$26,000
Training & Education	\$10,000	\$10,200	\$10,400
Procedure Rewrites	\$15,000	\$15,300	\$15,600
Audit	\$22,000	\$22,400	\$22,800
Total Expenses	\$2,094,000	\$2,161,900	\$2,228,300
Revenues	\$1,740,000	\$1,600,000	\$1,600,000
Revenue-Expense	(\$354,000)	(\$561,900)	(\$628,300)
Interest	\$20,000	\$20,000	\$20,000
Reserves	\$2,241,000	\$1,699,000	\$1,091,000
Months Reserve	12.8	9.4	5.9
Fee Increases	None	None	None
New Tests	PC-10		
Reg. FT Headcount	17	17	17