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| **Agenda item: ADM 1** | **Document C25/98-E** |
| **6 June 2025** |
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| Contribution by the United States of America | |
| SATELLITE NETWORK FILING COST RECOVERY AND INDIRECT COSTS | |
| **Purpose**  This contribution endorses the modifications to Council Decision 482 as proposed in the Final Report of the Expert Group on Council Decision 482 (Document [C25/10](https://www.itu.int/md/S25-CL-C-0010/en)). However, the question of indirect fees requires additional analysis before agreeing to a significant departure from the current satellite network filing fee regime that may negatively impact the participation of some Member States in satellite communications.  **Action required by the Council**  The Council is invited to **approve** modifications to Decision 482 included in Document C25/10 and **refer** the issue of fees for indirect costs to the Council Working Group on finance and human resources for additional analysis.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **References**  *Council Document* [*C25/10*](https://www.itu.int/md/S25-CL-C-0010/en) | |

Background and discussion

Modifications to Council Decision 482

The United States thanks the Expert Group on Decision 482 (EG-DEC482) for its work in evaluating changes in the direct Radiocommunication Bureau (BR) costs for processing satellite filings, including taking into account the impact of large non-GSO satellite system filings. EG-DEC482 was guided by the understanding that satellite network cost recovery charges should be transparent, reviewed with care, and reflect the actual costs by the BR to process satellite network filings in accordance with Resolution 91 (Rev. Guadalajara, 2010). If implemented, the proposed modifications to Decision 482 will result in a meaningful and appropriate increase in satellite filing cost recovery income to the ITU, consistent with the principles of cost recovery in both Resolution 91 and Decision 482.

*The United States proposes that the Council endorse the updates to Council Decision 482 recommended by EG-DEC482 in Document* [*C25/10*](https://www.itu.int/md/S25-CL-C-0010/en)*.*

Indirect costs

Separate from the work of EG-DEC482, the ITU secretariat has proposed a more aggressive approach to collecting satellite network filing costs than the ITU has previously applied in its implementation of Resolution 91 and Decision 482 for cost recovery for these services. The new proposed approach seeks to add ‘indirect’ or overhead cost charges on top of the long-standing ‘direct’ cost recovery practices enshrined in Decision 482. In prior discussions of this issue, there has been a lack of clarity around how ITU calculated the proposed fees, as well as a lack of consensus regarding whether indirect fees are appropriate for satellite filing cost recovery. Given the broad scope of ITU's administrative, technical and organizational functions that may be encompassed within indirect costs, any methodology should be clear and transparent. In evaluating the ITU’s latest proposed methodology in Document [C25/64](https://www.itu.int/md/S25-CL-C-0064/en), the United States believes that additional consideration is needed for the following reasons:

– Need for additional analysis of ITU’s cost accounting approaches and how ITU might apply cost recovery to appropriate products and services.

– Lack of consistency of these new indirect fees with the principles of Resolution 91.

In the secretariat’s proposal (Doc. [C25/64](https://www.itu.int/md/S25-CL-C-0064/en)), the ITU states that its methodology for assessing indirect fees resulted in a 107% increase in the costs of each individual filing. A benchmarking exercise identified that 25-30% was a more common level for application of indirect cost charges. The ITU concedes that the proposed methodology results in unreasonable and inconsistent fees with these benchmarking targets. ITU also informed the expert group that using an individual staff tracking mechanism for processing satellite network filings was implemented in early 2000 but abandoned in 2005. However, the secretariat also proposes assessing **CHF 4 866 400** of fees on top of what is already collected for satellite filing fees. This 40% indirect cost charge is still a significant and unreasonable additional cost on top of what ITU Member States pay for these services. Given a lack of clarity over how ITU identified the cost categories associated with indirect costs of satellite fees, the United States questions the full extent of the ITU’s budget deficit attributed to satellite fees. A full financial model should be presented so Member States can assess the broader impact. Therefore, it is premature to levy these indirect fees before additional analysis to ensure an open and transparent approach.

Principles of ITU application of cost recovery

Resolution 91 guides the application of cost recovery in the ITU for some products and services. It also includes language that recognizes the need for limits to ensure reasonable levels of allocations of indirect costs. It also notes that several factors should be taken into account, including when a product or service is provided for the benefit of a limited number of Member States or Sector Members.

One of the BR’s core functions is the registration of radio frequency assignments and of associated orbital positions. Its performance of this role benefits all ITU Member States and directly enables ITU Member States' application of the ITU’s Radio Regulations. Indeed, the application of cost recovery to satellite network filings taken by the Minneapolis Plenipotentiary Conference in 1998 was controversial, as it was noted in Resolution 91 that cost recovery would be applicable to “discretionary products or services” (*resolves* 3 iii))*.* While it has been recognized as appropriate that ITU could collect fees for the direct costs associated with processing satellite filings *per se*, it is less clear that it would be appropriate for Council to act to extend this fee regime to include indirect costs across the General Secretariat, given the direct benefit for the wider ITU membership. In fact, since the original adoption of Resolution 91 and the establishment of Council Decision 482, the number of Member States that submit filings and participate in satellite communications has dramatically expanded, reinforcing that this service is a benefit to not a small subset of members, but the ITU membership as a whole. Indeed, *resolves* 3 i) carries forward the principle for cost recovery is that the product or service is requested by a small number of users.

In addition, in crafting the current satellite filing fee regime, it must be taken into account that the ITU has endorsed entitlements of free filings in certain instances as a benefit to the Union. These filings have a significant cost and should be assessed as a part of the next steps in considering the indirect costs of satellite filings.

Proposal

Based on the information provided by the secretariat, the United States does not believe that the assessment of a 40% charge across all satellite filing fees is reasonable or an appropriate application of the principles within Resolution 91. It also believes additional work is needed to better understand how the ITU calculated the proposed indirect costs, as well as how ITU applies the principle of cost recovery across several different ITU products and services.

The United States prioritizes ITU’s fiscal responsibility and long-term financial health. It continues to support the secretariat's efforts to increase transparency about budgeting and resource use, address inefficiencies, and realign costs in a sustainable manner. We welcome the proposed initiatives to continue working towards process and organizational improvements and improved technological tools to support ITU’s delivery of critical services for membership. The ITU should continue to explore these operational efficiencies, expense reductions, and budget restructuring as alternative measures instead of relying solely on increased satellite cost recovery fees. Financial sustainability can be achieved through balanced approaches that do not disproportionately impact one sector.

In light of the above, the United States proposes the matter of indirect costs be referred to the Council Working Group on finance and human resources (CWG-FHR) for additional analysis. We recommend that this follow-on work take a broader look at how ITU applies the principles of fees for indirect costs for other products and services —not just satellite network filings— including the cost categories that might be included, to ensure reasonable and appropriate application of Resolution 91. This work could inform subsequent discussions leading to the Plenipotentiary Conference and the update of the Strategic and Financial Plans 2028-2031.

Proposal

In summary, we propose that the ITU Council:

1 Endorse the proposed changes to Decision 482 in Document [C25/10](https://www.itu.int/md/S25-CL-C-0010/en) (Final Report of the Expert Group on satellite network filing cost recovery). This will result in increased cost recovery income for the ITU in addressing direct costs for processing filings.

2 Defer consideration of fees for indirect costs to the ITU Council Working Group on finance and human resources (CWG-FHR) based on the proposal in Document [C25/64](https://www.itu.int/md/S25-CL-C-0064/en) and [C25/74](https://www.itu.int/md/S25-CL-C-0074/en) to encourage broader consultation with Member States. CWG-FHR analysis also should consider other ways in which ITU has applied or might apply fees for indirect costs to other goods and services provided by the ITU pursuant to Resolution 91 (Rev. Guadalajara, 2010).

3 Invite ITU and CWG-FHR to include consultations among Member States and Sector Members to understand potential impacts of any new cost recovery methodologies.

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