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| **Council 2017Geneva, 15-25 May 2017** |  |
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| **Agenda item: ADM 19** | **Document C17/43-E** |
| **31 March 2017** |
| **Original: English** |
| Report by the Secretary-General |
| PROPOSALS TO INCREASE REVENUE FROM INRS |

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| SummaryFollowing the discussion that occurred at Council 2016, this report summarizes the financial impact of two proposals to increase revenue from INRs: 1) to levy an annual fee for UIFN and IIN; 2) to increase the one-time registration fee for UIFN and IIN.Action requiredThe Council is invited to **consider** the proposals in this report.\_\_\_\_\_\_\_\_\_\_\_\_References[C16/69](https://www.itu.int/md/S16-CL-C-0069/en), [C16/96](https://www.itu.int/md/S16-CL-C-0096/en), [CWG-FHR 5/25](http://www.itu.int/md/S15-CLCWGFHRM5-C-0025/en), [DT/63](http://www.itu.int/md/S14-PP-141020-TD-0063/en), [C16/DL/7](http://www.itu.int/md/S16-CL-160525-DL-0007/en), [C14/111](https://www.itu.int/md/S14-CL-C-0111/en), [PP14/91](http://www.itu.int/md/S14-PP-C-0091/en) |

## A. Background

1. In light of Resolution 158 (Guadalajara, 2010), which instructs the Council to study the possibility of generating additional income for ITU, possibly through identifying new financial resources not related to the contributory units, the issue of revenue generation from International Numbering Resources (INRs) has been discussed in Council meetings, PP-14, and CWG-FHR meetings since 2014. An Expert Group under ITU-T SG2 was set up following the instruction of Council-14 and provided its report to TSB Director. A formal consultation was carried out and the result was reported to Council-15. For details, please see:
<https://www.itu.int/net/ITU-T/forms/qs-inr-ms/rev-gen-inr.aspx>.

2. Discussion on revenue generation from INRs continued in Council-16. TSB presented document [C16/69](https://www.itu.int/md/S16-CL-C-0069/en), which summarizes ITU’s activities related to revenue generation from INRs since Council-14, following the request of CWG-FHR “that all relevant documents need to be made available” to Council-16. The United States and Saudi Arabia presented documents [C16/79](https://www.itu.int/md/S16-CL-C-0079/en) and [C16/96](https://www.itu.int/md/S16-CL-C-0096/en), respectively, expressing their views on revenue generation from INRs. A number of Councilors took the floor supporting the recommendations in [C16/69](https://www.itu.int/md/S16-CL-C-0069/en) and proposal in [C16/96](https://www.itu.int/md/S16-CL-C-0096/en) on the generation of revenues from INRs, as part of the general ITU efforts for the implementation of PP Decision 5 and Res. 158. Others did not support the idea and failed to see the need for any further studies. No consensus was reached. The Council instructed the secretariat to submit to Council-17 the financial implications of the INR proposals discussed in Council-16 taking into account the different views raised by Councilors.

3. WTSA-16 approved [Resolution 85 “Strengthening and diversifying the resources of the ITU Telecommunication Standardization Sector”](http://www.itu.int/pub/T-RES-T.85-2016), which resolves to instruct the Director of the Telecommunication Standardization Bureau to participate in the study referred to in noting b), for possible new measures to generate additional revenue for ITU T, including revenues that may be obtained from INR and conformance and interoperability testing.

## B. Proposals

4. Since 2014, various options for collecting fees from INRs were proposed and discussed, including: increasing the one-off fee for UIFN and IIN, collecting annual fee from UIFN, IIN, SANC/ISPC, MCC/MNC and ICC, collecting annual fee from each E.164 number, requiring all assignees of INRs (which include E.164 numbers, MNCs and ISPCs) be members of ITU-T. As to the annual fees, one option is to not differentiate members from non-members and the other is to only collect annual fees from non-members. The proposals discussed in Council 2016 are provided below:

# 5. Saudi Arabia made the following proposal (C16/96):

“In light of the above, and as a step to implement the *instructs* of Decision 5 and Resolution 158, Saudi Arabia supports the following proposals:

1. To levy an annual fee for each assigned UIFN and IIN. We invite the Council to instruct CWG-FHR to set the suitable fee considering the comparable estimates set out by the Experts Group, CHF 20 for each assigned UIFN and CHF 100 for each registered IIN.
2. To explore requiring that assignees of INRs be members of ITU-T.”

The first proposal from Saudi Arabia, as well as the proposal to increase the one-time registration fees for UIFN and IIN, which was discussed in various meetings, are detailed below, considering that ITU already collects fees from assignees of UIFN and IIN.

## C. Analysis on financial implications

6. **Proposal 1: Collect an annual fee of CHF 20 for UIFN and CHF 100 for IIN.**

The assumptions of the proposed model are as follows:

* There would be no changes to current assignment rules and procedures. That is, numbers would continue to be assigned as they are at present. Consequently, bypassing of national authorities or national numbers would not be possible.
* There would be no changes to the current mechanisms for monitoring assignments and the use of assigned resources.
* Only non-members of ITU-T in a given country would pay an annual fee for INRs.
* There is no additional cost to Member States, Sector Members, or Associates of ITU-T in a given country.
* The new fees would not be retroactive: an assignee will not pay the annual fees for the past years.
* If a non-member’s total annual fees exceed CHF 10,600, it is assumed they would become an Associate of an ITU-T Study Group, the fee of which is CHF 10,600 per year, and that if a non-member’s total annual fee in the category of developing countries mentioned in Resolution 170 (Rev. Busan, 2014) exceeds CHF 3,975, it is assumed they would become an ITU-T Sector Member, the fee of which is CHF 3,975 per year.

As a benefit, non-members of ITU-T who pay the annual fee will be granted access to the INR databases which are currently restricted to ITU-T Member States and Sector Members only.

The distribution of UIFNs and IINs among ITU-T members and non-members is shown below:

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| --- | --- | --- | --- | --- | --- | --- |
| INR | Status as of | Volume of numbers to Members | Volume of numbers to non-Members | Total volume | # of assignees(Members) | # of assignees (non-Members) |
| UIFN | 23 Oct 2014 | 28,382 | 8,618 | 37,000 | 43 | 69 |
| IIN | 1 Aug 2014 | 100 | 623 | 723 | 70 | 562 |

Assuming that the annual fee is CHF 20 for UIFN and CHF 100 for IIN and no UIFNs will be returned, the total annual income from non-members would be 164,560 CHF per year, including membership fees for those companies for whom it would be cheaper to join as Associates (four companies which together have more than 5,600 assigned UIFN and IIN).

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|  | Volume of numbers to non-members | Proposed annual fee | Annual Income for non-members |
| UIFN | 8 618  | CHF 20 | 172,360 |
| IIN | 623  | CHF 100 | 62,300  |
| Total | 9 241  | - | **234,660**  |
| Cut-off by 10,600  |  |  | **164,560** |

7. **Proposal 2: Increase the one-time registration fees: CHF 300 for UIFN and CHF 150 for IIN.**

Currently, the one-time registration fee is CHF 200 CHF per assigned UIFN, and CHF 80 per assigned IIN.

It is proposed to increase the one-time registration fee from CHF 200 to CHF 300 for UIFN and from CHF 80 to CHF 150 for IIN.

If the one-time registration fees were increased, the following revenue would be generated, based on the current assignment of about 750 UIFNs and 20 IINs per year.

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| INR | Volume of assigned Numbers per year | Proposed one-time registration fee (CHF) | Total annual income (CHF) | Additional income (CHF) compared to the current fees |
| UIFN | 750 | 300 | 225,000  | 75,000  |
| IIN | 20 | 150 | 3,000  | 1,400  |
| **Total** | **770** | **-** | **228,000**  | **76,400**  |

In adding up the two proposals, the total additional annual income from INRs would be CHF 240,960 per year (CHF 164,560 from annual fees and CHF 76,400 from increased one-time fees). The total annual income would be CHF 392,560 (CHF 164,560 from annual fees and CHF 228,000 from increased one-time fees).

**D. Cost for ITU secretariat in administering INRs**

8. The following is the 2016 actual cost of ITU for allocation of INRs governed by relevant ITU-T Recommendations. All figures are in kCHF.

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| Output Number | Output Name | TSB Allocation | Support costs allocation | Documentation | Total |
| T3.2 | Allocation and management of international telecommunication numbering, naming, addressing and identification resources in accordance with ITU-T Recommendations and procedures |  439  |  444  |   |  883  |
| T4.4 | ITU Operational Bulletin |  176  |  168  |  109  |  453  |
| **Total cost INRs** |  **615**  |  **612**  |  **109**  |  **1,336**  |

The actual cost calculated above is based on the cost allocation methodology ([Decision 535](https://www.itu.int/md/S14-CL-C-0102/en)) modified by Council at its 2014 session, and which entered in force on 1 January 2016.

The costs of the General Secretariat (column Support costs allocation) are distributed to the TSB through a cost-allocation driver (number of posts). The costs of the TSB (column TSB allocation) are allocated to the Outputs based on a Time survey. Documentation costs (column documentation) represent the works of translation and typing.

The cost for ITU to allocate UIFN and IIN only, can be estimated at about CHF 400k.

**E. Summary**

9. By implementing the two proposals (annual fee of CHF 20 for UIFN and CHF 100 for IIN; increased one-time registration fees of CHF 300 for UIFN and CHF 150 for IIN), the expected revenue of CHF 392,560 would cover the cost for ITU to allocate both UIFN and IIN.

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