

## FREQUENTLY ASKED QUESTIONS

### FINANCIAL BENEFITS OF PROFESSIONAL LICENSING SUPPORT

Licenses generally come with a cost, and the more telecommunications systems are owned or operated, the more permits are involved, and so the higher the cost. This is true of medium-sized entities operating in a few countries. For large-scale, planet-wide organizations, the use of telecommunications rises may be many times over more significant. And both the direct costs of licensing, as well as the indirect costs of not being able to use telecommunications for lack of compliance rise accordingly.

**Direct and avoidable costs of licensing.** As has been mentioned, licensing fees generally apply to the right to use equipment, services and spectrum (frequencies). There are two types of licensing fees: the fee set out in the regulations, and the one the telecommunications authority may charge. Telecommunications authorities routinely invoice licensing costs that are higher than those set out in regulations, or in some cases entirely non-existent. These are in turn routinely paid by country offices who may tend to assume that the telecommunications regulator is applying fees correctly, or will not necessarily be conversant with the regulations, or have the time or inclination to engage with the authorities to deal with the subject. On a global scale, this can and does result in millions of dollars paid unnecessarily and entirely avoidably.

**The indirect costs of inefficiency in licensing are often higher than direct costs of licensing.** Managers in the field tend to be keenly aware of the fact that lack of a permit to import or use equipment, services or networks will cause delay to deployments, operations or revenue. When that happens, which is every second day for global organizations, programs with large, sunken costs may not get implemented as planned, projects will be delayed and standing costs continue to be incurred though the activity may be at a standstill. How this impacts different individual organizations will vary significantly, but it may be thought that the cost of such inability or delay ultimately dwarfs licensing cost themselves. Examples are readily found. Suppose for instance that the organization has contracted with a global telecommunications provider to provide services across the continents. The service may involve fixed contractual payments for spectrum running into several million dollars if the service is global; but if the service cannot be used because the relevant permits are not secured in time, still the spectrum will be paid, even though no service is provided.

**It pays to be knowledgeable about the organization's licensing costs.** Regardless of how an organization addresses telecommunications licensing and other regulatory

issues on a daily basis, it makes much sense to start by mapping out the current state of requirements and costs. Knowing how much is spent throughout the organization or will be incurred on compliance and readiness over a given period of time provides a fact-based rationale for decision-making.

For this reason, a first item of work is to determine licensing costs currently paid nationally and planet-wide, in order to identify savings that can be had. This is done by gathering relevant information from network managers and country offices on the list of equipment and services used (or projected), identifying those subject to licensing, and computing the total notional cost of licensing for the same. The same consultation allows the collection of pertinent information and documentation for all country offices, showing how much has been paid in the most recently documented year, to determine actual payments and measure those against the amount payable under regulations. This will produce a verifiable number for the review of headquarters, which will allow it to determine at a glance the amount of savings that can be had going forward. It also leaves the organization with an organized, consultable archive of records to manage the process going forward in a more efficient manner.

We have performed this same type of collaborative internal audit for a number of large-scale organizations, whether humanitarian, intergovernmental or corporate. In all cases in which the organization reviewed had sufficient global scope, and thus scope for budget overexpenditure, savings have ranked in the millions of dollars annually. Cutting that expenditure down to size is a ready and easy target for cost reduction. Contrary to other areas subject to cost reduction measures, efficiency in licensing also leads to logistical efficiency as well. It is literally an area where less money spent, is more done in the field.

**Brief note on exemptions for United Nations agencies.** It may be thought that institutions that enjoy tax privileges, such as United Nations agencies, do not suffer the same consequences on direct licensing costs as might affect corporations. Certainly a UN agency should be better situated than private enterprise on that score, at least in relative terms. Nevertheless, at least for the larger UN agencies which rely heavily on telecommunications, sheer scale generates much the same cost overrides and deployment inefficiencies. Further, though the various UN agencies are meant to be exempt from at least some governmental licensing fees, they are not exempt from all fees, and multiple authorities apply fees even in apparent contravention of privileges and immunities. For more on this subject, see our brief telecommunications law, exemptions and UN agencies.