

**Source: Funding and Finance Group Chairman**

**Title: Funding and Finance Group Report**

**Agenda item: 6**

**Document for:**

|             |   |
|-------------|---|
| Decision    | X |
| Discussion  |   |
| Information |   |

## **1 Introduction**

The 3GPP Funding and Finance Group (FFG) met in Marco Island, US, on 6/7 June and in Biarritz, France on 5/6 September 2002, in both cases meeting conjointly with the TSGs. The following representatives took part in the meetings:

### **Marco Island, 6/7 June:**

|                    |      |
|--------------------|------|
| Myung Gook Jang    | TTA  |
| Yukio Yoshimura    | ARIB |
| Fumihiko Hada      | ARIB |
| Nobuhiro Horisaki  | TTC  |
| Asok Chatterjee T1 |      |
| Adrian Scrase      | MCC  |

### **Biarritz 5/6 September**

|                    |      |
|--------------------|------|
| Keiji Yoshino      | TTC  |
| Yukio Yoshimura    | ARIB |
| Kohei Satoh        | ARIB |
| Wang Xiaoyun       | CWTS |
| Xu Fei             | CWTS |
| Adrian Scrase      | MCC  |
| Asok Chatterjee T1 |      |
| Myung-Gook Jang    | TTA  |
| Nobuhiro Horisaki  | TTC  |
| Fumihiko Hada      | ARIB |
| Kari Lang          | ETSI |

## **2 Year 2002 expenditure and year end predictions**

FFG considered the expenditure reports for year 2002 to date, focussing on the major budget lines; MCC Officers and Assistants, Contractors and Travel/Subsistence. The latest charts, which show expenditure to August, are annexed to this report (**Annexes A, B, and C**).

## 2.1 Staff and Contractors

It was noted that expenditure was largely as expected and that taking into account the summer vacation period the year would end close to budget. It was also noted that one staff member is now on maternity leave and that her position had not been replaced. This will assist in reducing expenditure.

A number of new Contractors have been hired during this period and the need for a smooth handover has meant that more contractors have been in post at any one moment in time than originally planned. This impacts slightly on the expenditure but it is still hoped to complete the year close to budget.

## 2.2 Travel

The expenditure related to travel and subsistence remains close to budget and some corrective actions have been taken to ensure that the year is completed as near to budget as possible.

## 2.3 TTCN development

The TTCN activity for 2002 has been funded in two parts:

- 754 kEUR (58 man months) provided from the central budget for the further development of test cases for Release 99 terminals;
- 143 kEUR (11 man months) provided voluntarily by the GSM Association together with 130 kEUR (10 man months) provided voluntarily by members to enable the test cases to be upgraded to the latest version of 3GPP specifications and to develop 2G-3G handover test cases.

For the centrally funded activity it has only been possible to issue contracts for 42 man months which may lead to a year end surplus of some 16 man months (208 kEUR). A decision is required as to what should be done with any remaining resource, either to return it to the Partners as part of the credit note for their 2003 payments or to carry it forward into 2003 where the remaining tasks can be completed.

|   |
|---|
| <p><b>Recommendation 1:</b> The Partners are requested to decide how to treat the predicted year end unspent TTCN budget; either to return it to the Partners as part of the credit note for their 2003 payments or to carry it forward into 2003 where the remaining tasks can be completed. The FFG recommendation is that the remaining funds should be carried forward to 2003.</p> |
|---|

For the voluntarily funded portion of this work the 10 man months pledged by the members has not been realised. 3 man months have been pledged by Motorola and 1 man month by Samsung, but the remaining 6 man months have still to be found. Contracts have already been issued for this work to be done (since its completion was deemed urgent and essential) and the Partners may wish to take some action to chase the outstanding resource.

|  |
|--|
| <p><b>Recommendation 2:</b> The Partners are requested to discuss the missing (6 man months) voluntary contributions for upgrading the TTCN test cases to the latest version of 3GPP specs and to decide what action is required to obtain them.</p> |
|--|

FFG noted that the work to date had been for the development of R99 TTCN only and that work had not started on R4 or R5 TTCN. FFG recommends that the Partners re-confirm their commitment for this work to be undertaken.

**Recommendation 3:** The Partners are requested re-confirm their commitment to continue with the development of TTCN which will include test cases for R4 and R5.

#### **2.4 GSM A5/3 Algorithm**

The A5/3 Algorithm has been completed and this has been delivered to TSG SA for approval. The development team were also requested to upgrade the Milenage Algorithm for use in a 3G environment and this work was also completed. This led to a slight overspend of the prescribed budget (143,4 kEUR as opposed to 127 kEUR). ETSI and T1 had already made payment for this work from the 2001 budget based on the original projected cost. The difference will be accommodated from the year end surplus being returned to these two Partners. The GSM Association has now been invoiced for their portion of this work.

#### **2.5 Contingency**

At this stage there are no plans to use the contingency which was set at 563 kEUR for 2002. Some small amounts of the contingency may be required to cope with any overspending from the main budget lines but apart from that there is very likely to be a substantial amount remaining by the year end.

#### **2.6 Year 2002 surplus**

It is expected that on current projection there will be a year end surplus of the 3GPP central budget. It is proposed by FFG that, as last year, this surplus be returned to the Partners in the form of a credit note towards their contributions for 2003. The Organizational Partners are requested to approve this recommendation.

**Recommendation 4:** It is recommended that the budget surplus for year 2002 should be returned to the Partners in the form of a credit note towards the contributions expected in year 2003.

### **3 Partner commitments and payments received for year 2002**

FFG noted that most of the payments had now been received from the Partners for year 2002. A table showing the payments received can be found at **Annex D**. The remaining payments are expected to be received by the end of October.

### **4 Financing and Funding for year 2003**

FFG has considered the resource requirements for 2003 noting that the volume of work still shows an increasing trend. It was noted that some discussions have started within the TSGs that could affect 3GPP e.g. the possible merger of CN2 and CN4, and the possible transfer of some work to the newly created OMA. FFG believed that in the event of either or both of the two items above being realised it may be possible to reduce the number of support experts and that each position represented 136 kEUR of expenditure. However, insufficient information was available for this to be taken into account for the

2003 budget.

**Proposal 1: Flat budget**

The Partners had already decided that a budget should be prepared for 2003 of the same magnitude as that for 2002. Based on that decision the following draft budget was derived. (It should be noted that the Overhead figure is preliminary at this stage and that the increase in staff cost is affected by contractual seniority payments):

|                          | 2002 allocation<br>(kEUR) | 2003 allocation<br>(kEUR) |
|--------------------------|---------------------------|---------------------------|
| MCC Staff                | 955                       | 1000                      |
| Additional support staff | 144                       | 150                       |
| MCC Contractors          | 1963                      | 1963                      |
| Travel and subsistence   | 781                       | 781                       |
| Overheads                | 1784                      | 1784                      |
| Contingency              | 563                       | 568                       |
| <b>Sub Total</b>         | <b>6 190</b>              | <b>6 246</b>              |

| Task description             | 2002 Allocation<br>(kEUR) | 2003 Allocation<br>(kEUR) |
|------------------------------|---------------------------|---------------------------|
| TTCN for MS interoperability | 754                       | 754*                      |
| <b>Sub Total</b>             | <b>754</b>                | <b>754*</b>               |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>2003 Budget (Support and Specific Tasks) kEUR</b> | <b>6 944 kEUR</b> | <b>7 000 kEUR</b> |
|--|-------------------|-------------------|

*\*Note: if the 2002 unspent TTCN resource is carried forward to 2003 this budget line may be reduced accordingly.*

**Proposal 2: Reduced budget**

When discussing the proposed budget for 2003 it became evident that the economic climate had deteriorated further since the last OP meeting and that some Partners were under pressure to reduce their expenditure. FFG noted that at this stage of the Project it was important to retain the level of support in order not to impede the timely production of specifications but at the same time some cost savings should be sought. Noting that a larger number of meetings were planned to take place in Europe during 2003 than in 2002, and that very cheap flights are becoming more available (using low cost budget airlines) it was determined that some saving could be made in the travel budget. In addition, the luxury of holding a substantial contingency could be foregone. (The consequence of this reduction would be that activities not planned at the start of the year could not be funded unless voluntary payments were obtained.) This led to an alternative proposal which is given below for the Partners consideration:

|                          | 2002 allocation<br>(kEUR) | 2003 allocation<br>(kEUR) |
|--------------------------|---------------------------|---------------------------|
| MCC Staff                | 955                       | 1000                      |
| Additional support staff | 144                       | 150                       |
| MCC Contractors          | 1963                      | 1963                      |
| Travel and subsistence   | 781                       | 700                       |
| Overheads                | 1784                      | 1784                      |
| Contingency              | 563                       | 200                       |
| <b>Sub Total</b>         | <b>6 190</b>              | <b>5 797</b>              |

| Task description             | 2002 Allocation<br>(kEUR) | 2003 Allocation<br>(kEUR) |
|------------------------------|---------------------------|---------------------------|
| TTCN for MS interoperability | 754                       | 754                       |
| <b>Sub Total</b>             | <b>754</b>                | <b>754</b>                |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>2003 Budget (Support and Specific Tasks) kEUR</b> | <b>6 944 kEUR</b> | <b>6 551 kEUR</b> |
|--|-------------------|-------------------|

FFG also discussed the continued high expenditure for the development of TTCN. The importance of this activity was noted, especially for the successful launch of new networks, but the possibility of an increased portion of this budget being raised by voluntary contributions was discussed. No conclusion was drawn on this subject.

FFG noted that any substantial reduction in the 3GPP budget would impact on the support services delivered to the TSGs and that it would be essential to enter into dialogue with the TSG leadership before any meaningful recommendations could be made.

**Recommendation 5:** It is recommended that the Partners approve a 2003 budget using the two proposals given above as a starting point for their discussion.

## 5 Partner contributions for year 2003

FFG discussed the merits of the existing funding model and whether the payments made by the Partners are commensurate with their Members participation in 3GPP. It was also noted that some Members of small SDOs had transferred their allegiance from one SDO to another in order to seek the cheapest avenue for participation in the project and thus relinquishing their membership in their former SDO. Since the creation of 3GPP some SDOs have suffered a loss in membership and it was argued that this had led to an imbalance which could ultimately lead to the collapse of the Project.

FFG felt that any major overhaul of the funding model had the potential to destabilise the project (on the basis that no Partner wishes to contribute more than they do currently) and that such a discussion would be more appropriate in an OP meeting rather than in FFG.

|   |
|---|
| <b>Recommendation 6:</b> It is recommended that the Partners discuss the funding model of 3GPP and advise FFG of any change in direction. |
|---|

CWTS have considered their likely contribution for 2003 and in accordance with their previous statement an increase is expected. The preliminary figure provided by CWTS is 300 kEUR.

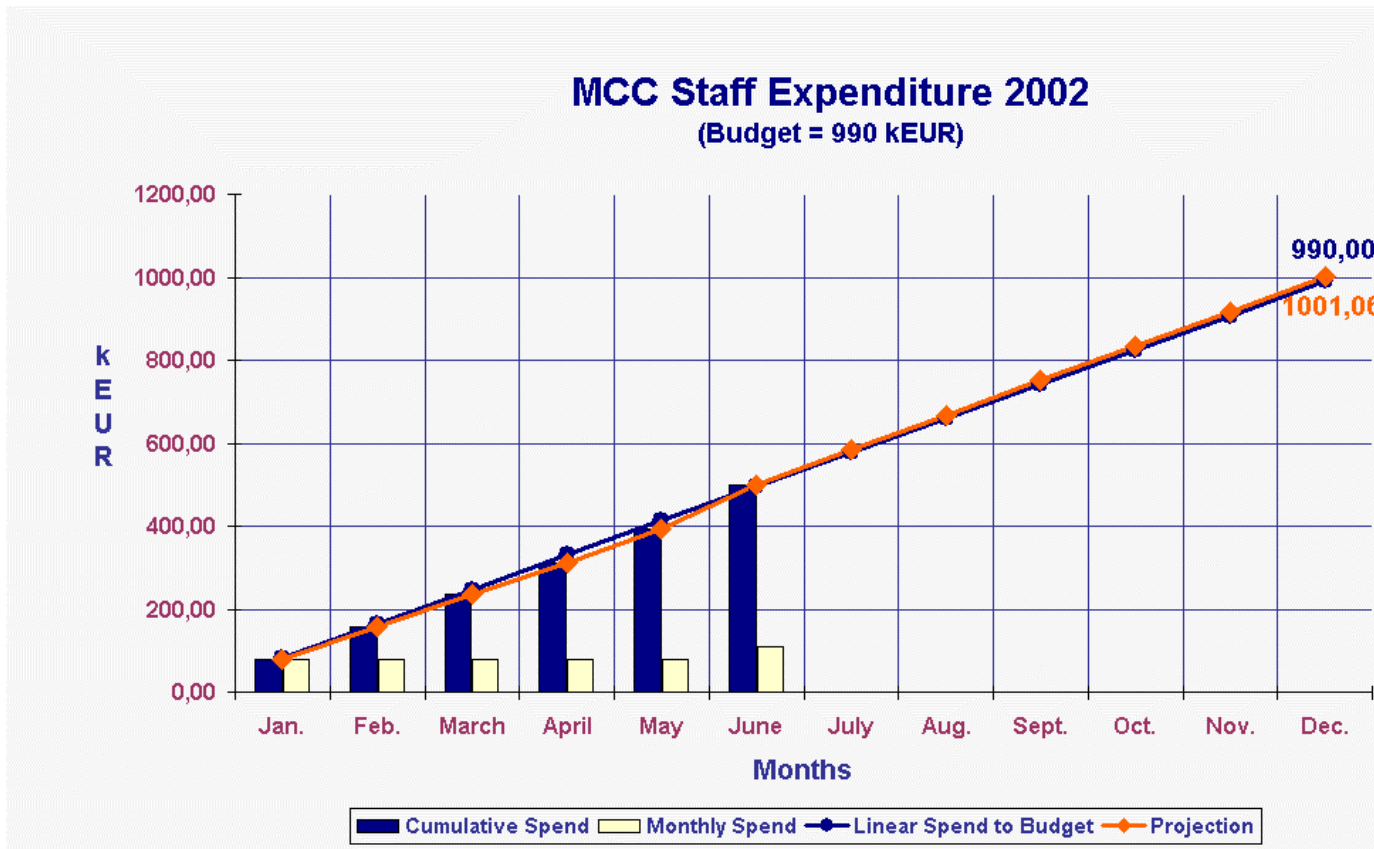
Based on the decisions made by this OP meeting the contributions expected from each Partner can be calculated and invoices issued in early 2003. An FFG meeting has been planned in early 2003 to resolve any outstanding difficulties.

## **6 Future meetings of the Funding and Finance Group.**

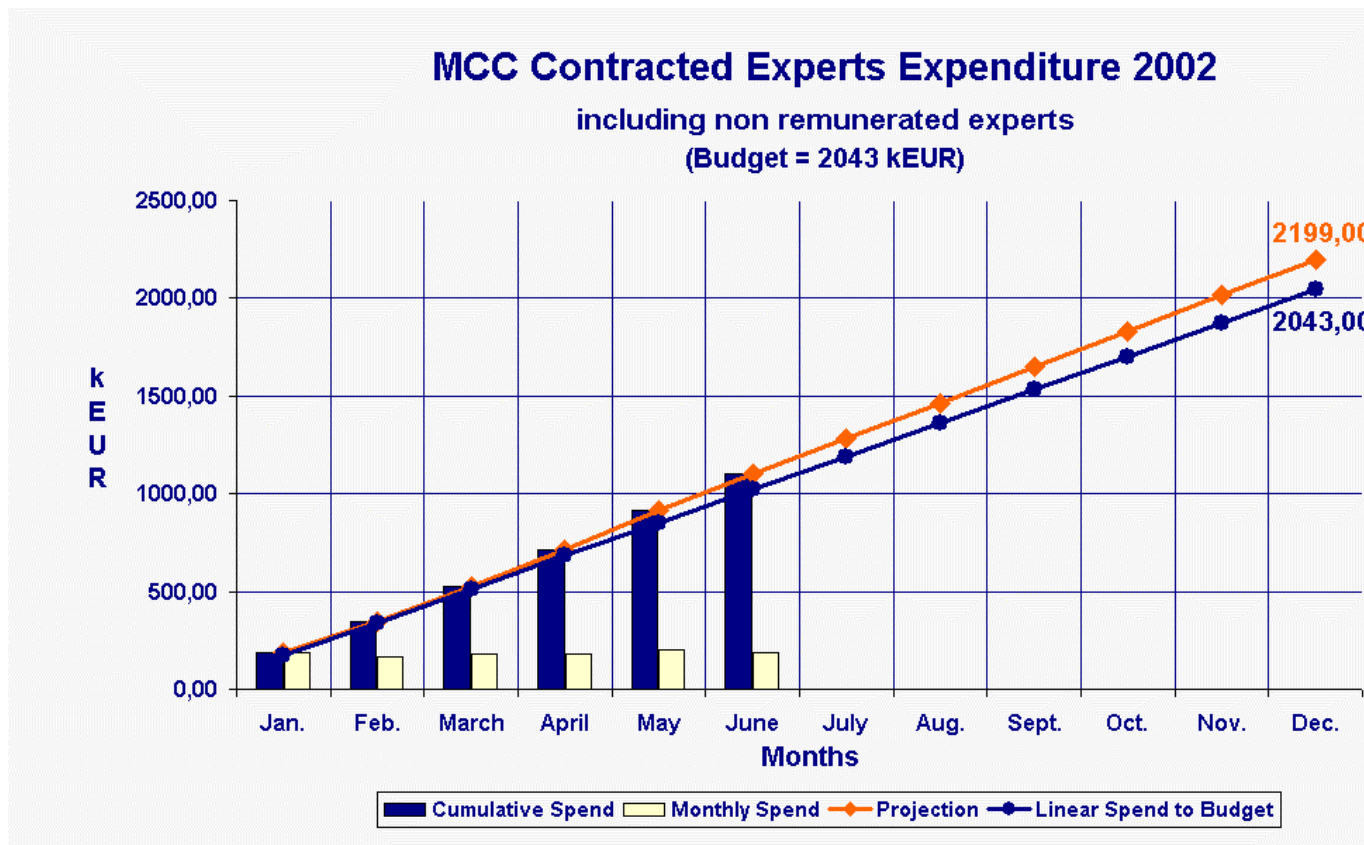
FFG have planned three meetings for year 2003 as follows:

|             |                              |
|-------------|------------------------------|
| Feb 26 – 27 | Pleasanton, California       |
| Jun         | Finland (conjoint with TSGs) |
| Sep         | Germany (conjoint with TSGs) |

Annex A MCC Staff expenditure 2002

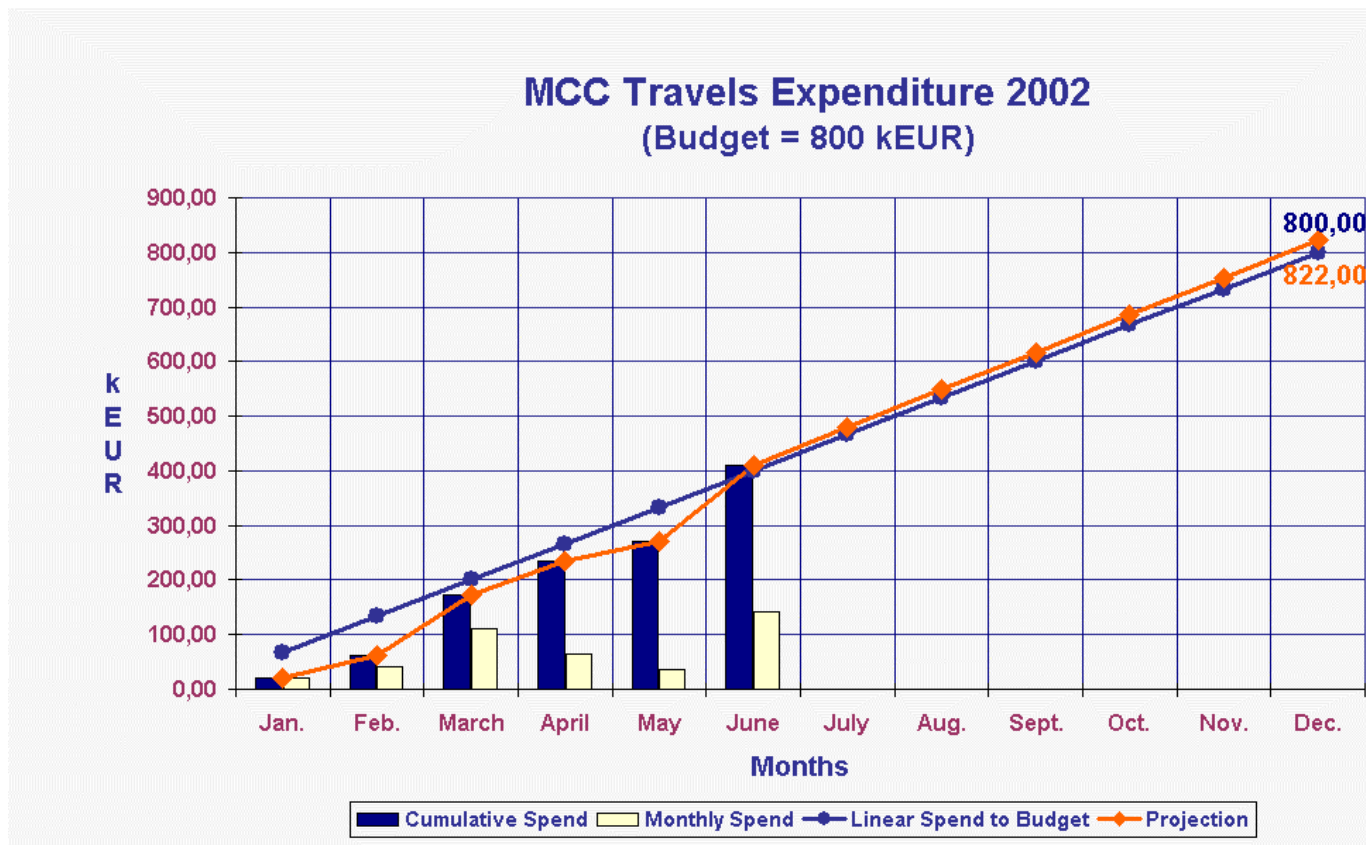


Annex B MCC Contracted Experts expenditure 2002





Annex C Travel expenditure 2002



## Annex D Payments received in year 2002 from 3GPP OPs

The following payments have been received from 3GPP Partners during year 2002.

|                     |            |     |                   |
|---------------------|------------|-----|-------------------|
| <b>ARIB (Japan)</b> |            |     |                   |
| Amount due          | 631 060    | EUR |                   |
| • paid on           |            |     | 25.06.02          |
| <b>CWTS (China)</b> |            |     |                   |
| Amount due          | 260 000    | EUR |                   |
| paid on             |            |     | 25.06.02          |
| <b>ETSI</b>         |            |     |                   |
| Amount due          | 3 364 030  | EUR |                   |
| • paid on           | 3 364 030  | EUR | 26.04.02          |
| <b>T1 (USA)</b>     |            |     |                   |
| Amount due          | 1 131 370  | EUR |                   |
| • paid on           | 888 980    | EUR | 16.07.02          |
| • due               | 242 390    | EUR | Expected 31.10.02 |
| <b>TTA (Korea)</b>  |            |     |                   |
| Amount due          | 615 830    | EUR |                   |
| • paid on           | 307 915    | EUR | 08.07.02          |
| • due               | 307 915    | EUR | Expected 30.09.02 |
| <b>TTC (Japan)</b>  |            |     |                   |
| Amount due          | 669 310    | EUR |                   |
| • paid on           | 167 327,50 | EUR | 08.07.02          |
| • paid on           | 250 991,25 | EUR | 08.07.02          |
| • paid on           | 250 991,25 | EUR | 03.09.02          |

**Total received from Partners: 6 121 295 EUR at 03 Sept.02**

**Amount outstanding from Partners: 550 304 EUR at 03 Sept.02**