

**SADIS COST RECOVERY ADMINISTRATIVE GROUP**  
**SIXTH MEETING**

(Paris, 21st and 22nd November 2005)

**Proposed Change to Annex III to the SADIS Agreement**  
(presented by the United Kingdom)

**REFERENCES**

SADIS Agreement

**1. INTRODUCTION**

1.1 Annex III to the SADIS Agreement contains a note allowing the United Kingdom to charge the undepreciated portion of an asset to the costs recoverable from the participating states in the last year the SADIS Agreement remains in force, in the event that the agreement is terminated.

1.2 The United Kingdom seeks a similar provision with respect to any external contracts for procured services that might continue beyond a termination of the SADIS Agreement.

**2. DISCUSSION**

2.1 Current provisions within the SADIS Agreement allow for any undepreciated portion of an asset to be recovered from participating states in the event of a termination of the SADIS Agreement. Currently the United Kingdom has about £52,000 of undepreciated assets within the SADIS Costs.

2.2 Procured services for the operation of SADIS currently include the Satellite Segment and Maintenance and Facilities charges for the SADIS 1G and 2G services. These have a value of approximately £150,000 per annum. These services are provided by way of contracts with the suppliers for a varying number of years. In the past, these services have been arranged on a long-term basis, and lower prices have been achieved as a result. The original satellite lease for example, through Astrium was for a period of 10 Years.

2.3 The SADIS Provider, believes that it is in users interests to secure longer period contracts for these services, where practical. This reduces the amount of administrative effort in setting up and agreeing new contracts and provides greater cost stability for SADIS Users.

2.4 For the maintenance contracts, the SADIS Provider has negotiated standard termination conditions with the suppliers, so that only 3 months notice is required in order to terminate a contract. However, for the satellite lease, no such termination clause is possible, since satellite bandwidth can not be easily reallocated to other customers by the supplier. The SADIS Provider has two options when considering the renegotiation of the satellite lease: - (i) renew for a short period, say 12 to 24 months at a time or (ii) secure a longer lease over 5 years or more. The second of these options exposes the SADIS Provider to a significant financial risk should the SADIS Agreement be terminated while there is an unexpired portion of the lease remaining.

2.5 The benefit of a longer lease to SADIS users is a reduced cost of a longer period contract. For example, in a quote provided earlier this year, the supplier offered a discount of 5% for a 3-year contract, equivalent to a saving of about UKP 5,000 per annum.

2.6 The SCRAG may wish to take advantage of the lower costs afforded by a longer period lease. However, in order to accommodate this, the SADIS Provider would seek an addition to the wording of the SADIS Agreement, so that any unrecovered costs associated with a long period lease could be recovered in the event of the termination of the SADIS Agreement.

### 3. Action by the Meeting

3.1 The SCRAG is invited to consider the above options and decide whether to advise the SADIS Provider to renew the satellite lease on a short period basis, or to renew the satellite lease on a longer timescale.

3.2 If the SCRAG decides that a longer timescale is appropriate, the SADIS Provider seeks the following draft amendment to the SADIS Agreement.

New note: to Annex III - Chargeable Costs

1. a) Cost of operation and maintenance.

*Note: In the event that this Agreement is terminated, the United Kingdom may, to the extent that it is unable to gain a refund for the unexpired portion of an external contract in support of the SADIS Service, charge the cost of the remaining portion of the contract to the costs recoverable from the participating States in the last year the Agreement remains in force.*