GNSO gTLD Registries Stakeholder Group Statement

Issue: FY15 Draft Operating Plan & Budget

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This document contains comments from the gTLD Registries Stakeholder Group (RySG) about the ICANN FY15 Draft Operating Plan & Budget.

GENERAL COMMENTS

General Comment 1: The level of effort that went into the operating plan and budget is appreciated and the format is relatively easy to follow.

The amount of effort that occurred to create the draft budget and operating plan is very much appreciated including the implementation of new financial systems over the past couple of years. In addition the format of the provided documents made it relatively easy to review and the notes supporting the tables of data were very helpful.

General Comment 2: Increased budget detail is needed.

One overarching comment that has been made many times over ICANN's history is that the level of detail provided at this point in the process is insufficient to allow community members to adequately evaluate the budget numbers and provide feedback in time for changes to be made before Board approval. It is understood that there are big challenges to overcome in order to solve this problem and that continued efforts are planned to resolve it, but it is important to repeat the concern until workable solutions are found.

The operational planning and budgeting for the U.S. government transition of the IANA functions to the multistakeholder community provides an excellent example to illustrate this problem:

> Context
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> A long-time active participant in the gTLD Registries Stakeholder Group (RySG) asked the following question: "I was unable to find a breakdown for the approx 4.7 million ICANN is allocating to ICANN globalization/IANA transition. Can someone (i.e., anyone?) point the way to a more detailed cost breakdown."
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> What information does the Draft Operating Plan & Budget provide?
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> The costs fall under the following:
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> - Strategic Objective 1, Affirmation of Purpose (see pp. 18-24)
>   - Goal 1.2, Act as steward of the public interest (p.23)
>   - Portfolio 1.2.1, AOC Reviews (pp. 23 & 24)
>   - Project 26005/27000, ICANN Globalization/USG Transition - Support ICANN's role as convener of

global stakeholders to develop a proposal to transition the current role played by NTIA in stewardship of the IANA functions (p. 24); [Why is Project 26005 listed along with 27000.]

Project 27000 (ICANN Globalization/USG Transition) has a budgeted amount of $4.8M. (See Appendix 2 on p.70). But there is no further breakdown of the $4.8M. On a side note that may simply be a minor error, it is not clear why a figure of $4.8 million is shown on page 70 and $4.7M is shown on page 14.

How could the operating plan and budget be improved in the future?

The draft operating plan and budget for last year (FY14) did not include any project dollar amounts. This year total project costs are provided for a sampling of projects. This is an improvement that is recognized and valued. But it only helps if a project of interest happens to be one of the sample projects and if the total dollar amount is relatively small. For a project valued at over $4M, more detail is required to be able to adequately review and provide comments.

It is understandable that the USG transition of the IANA functions was a very late addition to ICANN's projected expenditures so very little time and information was available to estimate costs. That said, it is assumed that some basis was used to develop the estimate of $4.8M (or $4.7M) and it would be helpful to know what that was as well as what the breakdown of the major elements of that amount are. Without that, it is nearly impossible to provide constructive feedback.

In cases where project value is relatively small (e.g., less than $1M), it may be sufficient to simply provide the total estimated cost of the project. In cases where the project value is fairly large, a detailed breakdown of the total project costs is needed.

Additionally, for certain projects, more detailed descriptions are needed to clarify project objectives and to tie the project to the corresponding FY15 goal, objective, and portfolio. Reading the description for 1.2.1 The Affirmation of Commitments (AoC) Portfolio and its associated projects, it is not clear why Project 26002 (Internet Governance) is categorized within the Affirmation of Reviews Project. The description given for Project 26002, "Follow-up work on Strategy Panel on Internet Gov. Ecosystem as," appears to be incomplete. Further, from this description, it is unclear why the project is listed outside of 2.1.2 The Strategic Initiatives Portfolio for which one of the focus areas is "supporting cross-Community efforts of the Strategy Panels in regards to ICANN's role in the future of internet governance" and which includes as highlighted projects 26000 (Strategy Panel on Identifier Technology Innovation Follow-Up) and 26001 (Strategy Panel on Multi-Stakeholder Innovation Follow-Up). A more consistent scheme for categorizing projects would increase transparency into the costs associated with special initiatives like the 2014 Strategy Panels. Alternatively, greater detail and specificity in project descriptions could better justify the existing categorizations for these projects.

It is recognized and accepted that a full solution to this problem is probably not possible in time for approval of the FY15 Operating Plan & Budget, but it is strongly suggested that large improvements in this regard are made early in the FY16 process.

General Comment 3: Finding plan & budget information for specific areas is difficult.

If someone wanted to find out what the plans and estimated costs were for a specific project or subproject that was of high importance to them, how would they do it?

The example given in General Comment 2 illustrates the difficulty of doing this. To find out what was budgeted for the USG Transition, it is necessary to find out which strategic objective it falls under, then which goal, which portfolio and which project. Of course if the project is not one of the sampled projects, it becomes even more difficult. Doing this for the USG transition was easier than most because it was at least listed in one of the budget tables and it was one of the sampled projects but it still was not easy. It would help a lot if tools or guides were provided to facilitate tasks like this.

Another example that illustrates how difficult it is to effectively review the operating plan and budget is this: How would a member of the GNSO find how much was planned and budgeted for the GNSO including how the GNSO needs were accommodated? It is very difficult if not impossible to do this. It would be very helpful if the operating plan and budget information was also presented for each of the SOs and ACs.

General Comment 4: ICANN expenditures continue to grow without any apparent checks.

ICANN revenue continues to grow while ICANN staff and Board seem very willing to spend it. Unfortunately, based on the Revenue Overview provided in Section 1.1.1 (page 7), 97.4% of it will come from gTLDs registrants via Registry and Registrar fees $(42.7 + 34.2 + 29.5 + 3.2 + 55.9 = 165.5; 165.5/169.9 = 97.4\%)$. It seems to be well past the time to do cost-benefit analysis of expenditures so that expenses that do not produce the expected value can be reduced. The value should be evaluated by the full community based on results achieved.

General Comment 5: It is very difficult to match budget details to ICANN's mission.

Here is ICANN's mission from its Bylaws:

"The mission of The Internet Corporation for Assigned Names and Numbers ("ICANN") is to coordinate, at the overall level, the global Internet's systems of unique identifiers, and in particular to ensure the stable and secure operation of the Internet's unique identifier systems. In particular, ICANN:

1. Coordinates the allocation and assignment of the three sets of unique identifiers for the Internet, which are

a. Domain names (forming a system referred to as "DNS");

b. Internet protocol ("IP") addresses and autonomous system ("AS") numbers; and

c. Protocol port and parameter numbers.

2. Coordinates the operation and evolution of the DNS root name server system.

3. Coordinates policy development reasonably and appropriately related to these technical functions."

How do ICANN's four strategic objectives relate to the elements of this mission statement? How do the budgeted expense items relate to the element of this mission statement? The draft operating plan and budget makes it easy to track expenses back to the strategic objectives but there is nothing in the document that describes how the strategic objectives map to the mission.

There are two critical tasks that are required for reviewing an operating plan and budget: 1) To make sure that it facilitates mission accomplishment; and 2) to make sure that it does not support funding of activities outside of mission. It is very difficult to perform either one of these tasks based on the Draft Operating Plan and Budget.

It would be very helpful if the operating plan and budget contained information that connects mission elements 1.a, 1.b, 1.c, 2 and 3 to budget items at least at the portfolio level. Ideally, this

would be easier to do if the strategic objectives correlated to the mission elements, but this is undoubtedly a task better done in the development of the ICANN Strategic Plan.

General Comment 6: Why are there no funds budgeted for some portfolios?

Why are no funds budgeted for the following portfolios?
- 1.3.2 Support Internet Gov. Ecosystem advancement capital (p.26)
- 2.1.1 Management Systems Mapping (p.30)
- 2.1.3 AoC Reviews Implementation (p.30)
- 2.3.2 GDD Customer Service (p.39)
- 2.4.2 Business Continuity (p.43)
- 3.3.1 Global matrix development (p.51)
- 3.3.2 Hub & engagement offices (strategy & planning) (p.51)
- 3.3.3 Internal communications (p.51)
- 3.2.2 Raising Awareness of IANA Functions, Performance & Reporting (p.49)
- 4.2.2 Deploy Collaboration Platform (platform for sharing) (p.57)
- 4.3.2 Advancing MSM Innovation (p.59)
- 4.4.2 Conflicts of Interest Management (p.61)
- 4.4.3 Board Accountability and Transparency (p.61)
- 4.4.4 Bylaws-mandated Accountability & Transparency Mechanisms (p.61)

General Comment 7: Use Precise and Consistent Metrics

In addition to the minor inconsistencies noted previously, the FY15 Draft Operating Plan and Budget lists inconsistent figures for the number of new employees hired during FY2014; page 10 states that the number of employees hired in 2014 was 140, while page 12 cites this figure at 120. Although this inconsistency may simply be attributed to a typographical error, it raises the need to use metrics that are precise and accurate, rather than approximations, in order to ensure reliable budget projections.

COMMENTS RELATED TO SPECIFIC GOALS, PORTFOLIOS & PROJECTS

Because of the lack of project cost data for most projects and, even in cases where the total estimated costs are provided, the breakdown of those costs are not provided, it is only possible to make high level comments and raise general questions based on the perceived importance of the applicable budget items.

Portfolio 1.1.4 – Internationalized Domain Names (pp. 18 & 70)

Considering the amount of work remaining in the process of introducing IDN TLDs with regard to IDN variants, it is not clear that $1.0M is sufficient for 'All Other' IDN projects.

Portfolio 1.1.5 – Security, Stability & Resiliency of Identifier System (pp. 18 & 70)

$2.5M is budgeted for this. There is clear consensus in the ICANN community that SSR is a top priority so it is essential that adequate funds are planned for this.

Portfolio 2.3.5 Outreach & Relationship Mgmt w/ Existing & New Registries (p.39)

Considering that gTLD registries will generate $128.1M (75.4%) of ICANN's projected revenue via registrant fees for FY15 (including new gTLD application fees), $700,000 seems terribly insufficient for this budget item. It also seems terribly insufficient when recognizing that the ICANN operational support and customer service for gTLD registries has reached near all-time lows in the past two years. This is an area where operational excellence should be a top priority but, instead, just a little over ½ of one percent of total proposed operating expenses is budgeted for this portfolio.

Goal 4.1 Optimize Policy Development Process (pp. 55 & 74)

We support the plan to spend at least $6.8M as shown on page 55 to improve the policy development process, not because we believe that it is not working, but rather because it is a critical part of ICANN's mission and because we need continuous improvement. We wonder though why the total on page 74 shows a total of only $6.6M. Also, the projects listed on page 74 are too limited to facilitate a thorough review of the breakout of the allocation of funds for this goal. Lumping all other projects into one combined category funded for $3.5M with no further detail is unsatisfactory.

Portfolio 4.3.1 Evolving Multistakeholder Model (pp. 59 & p.74)

It is not clear that $400,000 will be sufficient to evolve the multistakeholder model.

COMMENTS RELATED TO NEW gTLD PROGRAM MULTI-YEAR VIEW

3.1 New gTLD Financial Summary (p.63)

We note that the current estimate as of April 2014 after the new gTLD program is well underway is that there may be a surplus of as much as $87.4M. We believe that current estimates should be much more reliable than previous estimates while understanding that there still may be unexpected expenses. That said, it seems reasonable to expect a fairly sizable surplus. So we think it is time to start planning for a bottom-up multistakeholder process to make recommendations regarding how any surplus will be used, noting that any such process will likely take considerable time. We also think that new gTLD applicants should play a key part of that process because they are the ones who made the investments and took the risks.

Names of Members that participated in this process:
1. Afilias, Ltd.
2. Charleston Road Registry (non-voting member)
3. .CLUB Domains LLC
4. CORE (non-voting member)
5. Donuts Inc.
6. DotAsia Organisation
7. dotBERLIN GmbH & Co. KG
8. dotCooperation
9. Dot Kiwi Ltd.
10. Dot Latin, LLC
11. DotShabaka Registry
12. dotStrategy Co.
13. Employ Media LLC
14. Famous Four Media
15. Foundation for Assistance for Internet Technologies and Infrastructure Development (FAITID) (non-voting member)
16. Fundació puntCAT (inactive)
17. GMO Registry, Inc. (non-voting member)
18. ICM Registry LLC
19. Minds + Machines
20. Museum Domain Management Association – MuseDoma (inactive)
21. Neustar, Inc.
22. Plan Bee LLC
23. Public Interest Registry - PIR
24. Punkt.wien GmbH
25. Punkt Tirol GmbH
26. Punto 2012 S.A. de C.V.
27. Radix FZC
28. Rightside Registry (non-voting member)
29. Societe Internationale de Telecommunication Aeronautiques – SITA
30. Starting Dot Limited
31. Telnic Limited
32. The Foundation for Network Initiatives "The Smart Internet"
33. Top Level Design LLC
34. Tralliance Registry Management Company (TRMC)
35. Uniregistry Corp. (non-voting member)
36. Universal Postal Union (UPU)
37. VeriSign
38. XYZ.COM LLC
39. Zodiac

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Regarding the issue(s) noted above, the following position(s) represent(s) the views of the ICANN GNSO gTLD Registry Constituency (RySG) as indicated. Unless stated otherwise, the RySG position(s) was

(were) arrived at through a combination of RySG email list discussion and RySG meetings (including teleconference meetings).