**ccNSO SOP working group comments to
ICANN FY 16 Operating Plan and budget**

27th April 2015

Executive summary

We are thankful for the opportunity to comment on the ICANN F16 Operating Plan and Budget. We acknowledge the improvements in the plan presentation and structure against the previous years and we appreciate that many of these working group comments have been taken onboard over the past five years. The level of detail concerning the draft plan is much more accurate and allows our community to better contribute to its refinement. As a matter of fact, it is difficult to make a direct comparison with the current year, and previous years, given the greater detail provided in the FY16 Operating Plan and Budget. Once more, we recommend the current format be used in future to enable easier comparison of the budget and plan against previous years.

When reading the entire Plan, we noticed a lack of consistency throughout it because certain goals and activities seem to be much better designed and defined, while others are only described at high level and hardly fit into an Operating Plan.

As in the previous budget feedback provided by the ccNSO SOP working group, we again note a significant increase in operating expenses of +15.2%, at the same time that revenue is only predicted to grow by 14% overall. This is of particular concern, especially given the potential optimism regarding variable revenues in relation to transaction fees.

Revenue assumptions include a registration volume growth of 2.2% for legacy TLDs and a series of assumptions regarding new TLDs, with a resulting number of 12.5 billable transactions for registrars and 8 million for registries.

As we also stated in 2014, given the current registration trends in the market, we urge ICANN to reduce expenses growth and consider adequate measures to deal with the scenario where revenues are not in line with current projections. Furthermore, we would appreciate to be provided with information regarding the management of reserves to cope not only with the possible challenges in the revenue scenario, but also with contingencies.

Last, but not least, we would like to underline once more the need to include more timeframes for the various activities to be developed, and that is both to facilitate their monitoring by ICANN administrative staff and to increase the transparency to the community ICANN should be serving.

Specific comments

ICANN Operations Section

1.2 Revenues
Based on industry knowledge and experience, the estimates regarding registrar accreditation appear to be reasonable. As noted in our general comments, we are concerned regarding the potential volatility of the global market and the resultant uncertainty regarding registration trends, which could result in volumes less than those budgeted.

1.3 Operating Expenses
We are concerned to note an additional $2m costs as a result of 16 new hires during FY16, as being inconsistent with the ICANN President's announcement of a hiring freeze.

1.4 Capital Expenses
Under real estate, we see expenses relating to the Singapore office relocation and construction. An office relocation that takes place in such a short time frame after the office was set up suggests a lack of proper initial, long-term planning. Following ICANN hub and regional presence expansion over the last few years it might be desirable to develop an assessment of the added value and costs associated to a similar office structure, including an assessment of the possible ICANN exposure to multiple legislation liabilities.

1.5 Initiatives
With reference to the possible costs of the next round of new gTLD's, we read that the expenses relate to "internal personnel time to organise the next round". We are not aware of the approval of any next round and would like this to be clarified.

1.6 Risks & Opportunities
Risks regarding all the new accountability process of ICANN and also the IANA Transition should be added to this section.

Objective 1: Evolve and further globalize ICANN

- In spite of previous suggestion by the SOP WG – Goals 1.1 and 1.2 remain quite similar without precisely stated distinctions. Also portfolios covered are mainly similar. Suggestions are to group them or to make them more distinctive;
- With reference to "Creating a stakeholder engagement index", the operating plan should provide a more detailed explanation of the index (i.e. its structure - there is only an explanation about a baseline of current participation levels in several programs) and interdependence of several factors (programmes). Generally, there is some confusion as to whether there is referral to a single comprehensive index or a group of specific indices for each programme;
- Concerning the Language Services as described under 1.1.3, the description should contain a list of (potentially) available languages;
- On page 31, "Measuring the number of regional and functional engagement plans" is a weak KPI because it has to measure a level of progress of planning processes and plans with several lap times and to compare it with expectations. The SOP WG already noted that there should be regional bottom-up initiatives which should be taken into account, both quantitatively and qualitatively. Satisfaction surveys of those impacted by the initiatives might help their evaluation;
- Under 1.2.1 on page 32, we would appreciate to receive clarification on the meaning of the "set of integrated digital tools";
- The measurements for the goal 1.3 seem to be insufficient. Moreover, they should be referring to targets which we were not able to identify. The structure of the "quality of service index" should also be further explained.

Objective 2: Support a healthy, stable, and resilient unique identifier ecosystem

We would like to point out that there is no reference to a potential separation of IANA from ICANN. We believe that this objective should at least include a scenario on how this change would be managed.

- On page 35 the 5% year-over-year target to reduce the gap of IPv6 and DNSSEC deployment should be clarified in the text. Furthermore, the KPI on health index needs to explicitly state the health index parameters (Security, stability and resilience/availability);
- On page 38, we read that one of the activities to achieve the goal "Proactively plan for changes in the use of unique identifiers and develop technology roadmaps to help guide ICANN activities" is to "ensure that IANA Department remains fully staffed". We would appreciate more clarity about it and what are the plans ensure the current IANA organisational chart and staffing in case of possible threats;
- We positively acknowledge the explanation of the so-called "Technical Reputation Index" on page 39, but we regret to underline the lack of a concrete weighting behind its various components and the way they contribute to the health of such index.

Objective 3: Advance organizational, technological and operational excellence

- Concerning the action to "Refine the FY 2015 model", we would recommend an explanation of this activity with figures in terms of targets and metrics as well as key ways and priorities. As currently presented, it is too generically formulated.
- On page 45, we would suggest the EFQM acronym to be explained to improve the text readability. We take this specific point as the chance to recommend the inclusion of an acronym index in the Plan.
- Regarding the goal 3.3, we think it should be further detailed as most of the activities, measurements and portfolios and too vague and sometimes, fuzzy to understand the planning behind them.

Objective 4 – Promote ICANN's role and multistakeholder approach

- *Goal 4.1: Encourage engagement with the existing Internet Governance ecosystem at national, regional and international levels.*
  The kind of activities and metrics to measure their success is extremely weak and lack of precise measurements. Furthermore, we reiterate that in some cases – and even more strongly in the field of international relations – quality of partnerships rather that the number of MoU can properly weigh their value and consequently, their success.
- *Goal 4.2 – Clarify the role of governments in ICANN and work with them to strengthen their commitment to supporting the global Internet ecosystem*
  It is acknowledged that ICANN has an interest in encouraging governments to engage with them through the GAC. This can be measured by the actual number of GAC members participating but that measure does not necessarily reflect the commitment and value of that participation. It is not clear how ICANN intends to try and measure the return of their investment in this area in respect of the value of that increased participation. Furthermore, it is not clear how the only measurement of this goal ("measure the increase in the number of GAC members") stands against one of the goals activities being "complete baseline determination to map existing entities within the Internet Governance ecosystem[…]".

This goal has a reasonable level of resource associated with it. What isn't clear is the scope of the engagement for ICANN and exactly what their role is in respect of government activities.

- *Goal 4.3 – Participate in the evolution of a global, trusted, inclusive multistakeholder Internet governance ecosystem that addresses Internet issues*
  It is noted that no resource has been allocated to this goal. Does this mean that this will be achieved as part of another goal or should it be removed?

- *Goal 4.4 – Promote role clarity and establish mechanisms to increase trust within the ecosystem rooted in the public interest*
  The entire goal is kept at very high level with no target and time-designed activities and related metrics. The "Institutional Confidence Index" should be further explained in the text.

Objective 5: Develop and implement a global public interest framework bounded by ICANN's mission

The entire objective and goals description does not provide a further level of details against what was written in the Strategy Plan 2016-2020.

- *Goal 5.1: Act as a steward of the public interest*
  The KPI for this goal deserves further clarification. It is difficult to understand what is measured, when and by whom.

- *Goal 5.2: Promote ethics, transparency and accountability across the ICANN community*
  As underlined in the comments to this goal in the Strategy Plan 2016-2010, the lack of specific metrics does not help the community to adequately monitor the actions and achievements in this area. As for other goals, the Operating Plan should contain exact figures and not "#" or "%".
  The portfolios include two currently critical processes in the ICANN environment – the IANA Functions Stewardship Transition & Enhancing ICANN Accountability. However, there seems not to be a clear link between the activities for achieving the goal and those listed under the portfolio section.

- *Goal 5.3: Empower current and new stakeholders to fully participate in ICANN activities*
  As underlined in in the comments to this goal in the Strategy Plan 2016-2010, the goal is very ambitious and therefore, would need to be better explained especially considering that it is aiming to engage "under-represented countries and communities and other underrepresented groups". Unfortunately, we reiterate our remark that the only KPI-metric available is extremely poor and, again, it misses the fundamental aspect that in many cases the mere number of actively participating stakeholders is not sufficient to measure the effective empowerment and engagement of any stakeholder. Furthermore, the absolute minimum baseline is missing and makes any assessment impossible.
  We would also recommend mid-term assessments of each of the initiatives listed under "portfolios" to determine their effective impact.

Appendix

5.2 Statement of Activities – Total ICANN
We note with concern an increase of 23.8% for travel & meetings costs, which appears to be mainly attributed to the change of location for ICANN 52. A further

breakdown of the substantive costs for this cost centre would be helpful to inform further comment. Furthermore, we would like to underline the discrepancy between ICANN President's public statements regarding staff hiring and the expected 15.9% increase in Personnel costs.

5.3 Registrar fees

Based on industry knowledge, we feel that the estimates of 60 registrar applications and a total of 1,500 registrar renewals are reasonable. However, we do consider that the fees paid by registrars should be reviewed and a date for that review should be set by the ICANN Board and communicated to registrars and the community. The review should also cover the levels of discounts and the current "forgiveness" arrangements for registrars that are smaller in size and activity.