

COMMENTS ON ICANN'S Draft FY2012 OPERATIONAL PLAN and BUDGET
BY THE CCNSO STRATEGIC AND OPERATIONAL PLANNING WORKING GROUP

Executive Summary

- **The operations plan & budget would benefit from greater clarity, enhanced description of specific goals of activities and the addition of measurable objectives, where they are missing.**
- **There are serious concerns about spiraling ICANN costs and a budgeted 13% overall expenditure increase compared with a budgeted 6.5% overall revenue increase.**
- **There are serious concerns regarding a 30% increase in ccTLD related costs, with no explanation or justification to date, nor any ccTLD requests for additional expenditure.**
- **There are serious concerns regarding a 21% increase in costs for IDN ccTLD requests**
- **There are serious concerns regarding a 15% increase in professional services costs.**

Introduction

The Strategic and Operational Planning Working Group (SOP WG) of the ccNSO welcomes the opportunity to comment on ICANN's Draft FY12 Operational Plan and Budget.

The SOP WG was created at the Cairo ICANN meeting in November 2008. The goal of the WG is to coordinate, facilitate, and increase the participation of ccTLD managers in ICANN's strategic and operational planning processes and budgetary processes.

According to its Charter (<http://ccnso.icann.org/workinggroups/sopiwg-charter-18aug10-en.pdf>) the WG may as part of its activities take a position and provide input to the public comments forum and relate to ICANN or other Supporting Organizations and Advisory WG's on its own behalf. The ccNSO Council and individual ccTLD managers collectively or individually, will be invited to endorse or support the position or input of the WG.

Membership of the WG is open to all ccTLD managers (members and non-members of the ccNSO)

The comments of the SOP WG build on the previous submission of the WG on ICANN's FY 2012 Ops Plan Framework (<http://ccnso.icann.org/workinggrousp/sop-comments-fy12-ops-plan-framework-30mar11-en.pdf>), in particular on those aspects of that submission which were not addressed in the FY 2012 Ops Plan and Budget or the consideration of community feedback (Appendix A Draft FY 2012 Ops Plan and Budget and telephone conference with ICANN staff on 18 May 2011). As the FY 2012 Draft Ops Plan and Budget contains more details, some additional comments are included. The SOP WG comments are structured in a similar manner as its comments on the FY 2012 Ops Plan Framework as follows:

- General
- Core activities
- Projects
- New gTLDs
- Budget and general financial aspects

General

- In the SOP WG submission on the FY 2012 Ops Plan Framework it was recommended that for each of the listed projects/activities, measurable goals and targets should be included in the Operating Plan itself, bearing in mind they can be described in either or both qualitative and quantitative terms. The SOP WG notes that some of the activities are better outlined, with the inclusion of measurable goals. However, many of the activities are still described in terms of "support", "collaborate" and "improve" without a clear description of the goal or objective of the activity.
- As stated in the submission on the FY 2012 Ops Plan Framework, we reiterate the value of the opportunity for SO and ACs to submit requests for additional or new services. We note that according to the overview provided, neither the ccNSO nor ccTLD community at large has submitted any request. For next year the SOP WG would welcome the opportunity to suggest reduction in activities as well. The ccTLD community has repeatedly stressed the need to reduce expenses
- According to the Expense Area Groups overview for the FY 2012 Draft Ops Plan and Budget, ICANN allocates USD 12,261,000 of its expenses to the ccNSO. The SOP WG has understood from ICANN staff that this should be read as allocated to the ccTLD community. The SOP WG also notes that this would amount to an increase of almost 30 % over last years, FY 2011 Ops Plan (EAG overview: USD 9.6 million) without any indication in the FY 2012 Draft Ops Plan and Budget what could cause such an increase i.e. according to FY 2012 Plan there is no change in the type of ccTLD community related activities, nor has the ccTLD community requested additional services (see previous point). At its meeting with relevant ICANN staff on 18 May 2011 the SOP WG has requested additional information to understand the increase. To date the SOP WG has not received the data.

Core Operations

- *Inconsistency between FY 2011 and 2012:* The SOP WG notes the lack of consistency of terminology (e.g.: "Core operations" are also referred to as "core organizational activities"). This concern was already raised in the context of the FY 2012 Ops Framework and, although it has been partially addressed, the SOP WG still notes inconsistencies across the FY 2012 draft Ops Plan and budget.
- *IANA function:* According to the FY 2012 Draft Ops Plan and Budget, the activities focus on (and therefore budget is used for) execution of external reviews of IANA function RZM software as well as number resource and protocol parameter processes. In the view of the SOP WG the description of these external reviews should at least contain the goal and purpose (see also the general remarks above). Further, the SOP WG does not understand how the IANA contract renewal can be part of ICANN's activities relating to IANA and Technology Improvements. One

would expect that contract renewal more associated with legal and administrative activities. It is also unclear to the SOP WG what the development of Framework of Interpretations for ccTLD delegations and re-delegations entails and how this fits with the support activities provided by ICANN's the policy department for the ccNSO Framework of Interpretations WG.

- *IDN Programme:* The SOP WG notes that under IDN Programme both ongoing activities (IDN Fast Track) and general IDN projects (IDN Variant Issue Project, IDN Guidelines) are included. The SOP WG also notes that according to the overview on page 44, six members of ICANN staff are allocated to the IDN Programme, and, according to the overview on page 31, the IDN projects are budgeted at USD 1.1 Mio. In this context the SOP WG does not understand the statement that the increase over last years budget (of 21%) reflects, "the resources required to continue processing IDN ccTLD requests". The WG also notes that the IDN Fast Track will be executed utilizing the principles of Business Excellence. It is unclear to the SOP WG what this means. Does this entail a change in operating the Fast Track?
- *Security, Stability and Resiliency:* The Working Group notes that according to the FY 2012 Ops Plan and Budget, Security, Stability and Resilience Operations (SSR) are budgeted for USD 7, 836 Mio. The SOP WG also notes that according to the FY 2012 SECURITY, STABILITY, AND RESILIENCY FRAMEWORK, posted on 2 May by ICANN, ICANN's SSR activities are budgeted for approximately USD 12.0 Mio. The SOP WG does not understand this gap of approximately USD 4.2 Mio. The SOP WG would appreciate that the relation between the FY 2012 Ops Plan and Budget as presented to the ICANN Board for adoption and the FY 2012 SSR Framework is adequately clarified, both in terms of activities and budget.
- *ICANN Public Meetings:* In the SOP WG submission on the FY 2012 Ops Plan Framework, the increase in the meetings budget was raised as serious concern. In the FY 2012 Draft Ops Plan it is suggested that "the meetings team will increase its efforts to generate sponsorship contributions to help offset these cost increases". The SOP WG wonders what will happen if the meetings team does not achieve this goal. Therefore, the SOP WG reiterates its suggestion of an in-depth review of the meetings budget.
- *Policy development support:* In the view of the SOP WG the listed activities should contain measurable objectives in order to evaluate the impact of the proposed actions. It is unclear to the SOP WG how some of the stated activities can be achieved by Policy development support if the result is clearly in the remit of an SO or AC.
- *Global engagement and increasing international participation:* In the view of the SOP WG the activities under this heading are not correlated or targeted to a common objective. There seems to be a lack of long-term planning in this area. Moreover, the engagement of ccTLDs in specific outreach activities is highly recommended.
- *Contractual Compliance:* The SOP WG reiterates its need and would appreciate an understanding of what is the turning point in the new gTLD process to allocate expenses to the launch and to compliance as defined under "core operations". The SOP WG would also appreciate more clarification on the impact ICANN foresees on the workload and expenses in this area once new gTLDs become operational. In the view of the SOP WG these comments in the previous submission were not addressed.

New gTLDs

- *Objection Fee Revenue:* The SOP WG re-iterates its comment that the expected revenue, if any, resulting from the objection process is not included, nor an explanation why it is not included in the FY 2012 Draft Ops Plan and Budget.

Budget& Finance general aspects

- *Deficit and Strategic Fund objective:* According to ICANN's Strategic Plan ICANN's Reserve Fund should be set at a **minimum** of one year of operating expenses. The SOP WG notes again that in contrast to the strategic goal without a gTLD launch, no addition to the reserve fund is expected. Based on the the FY 2012 Ops Plan achieving the Strategic Fund objective would require an addition to the reserve fund of approx. USD 10 Million.
- *Diverging increase in revenue and expenses:* The 2012 revenues show a +6.5% increase as compared to FY 2011, while the operational expenses show a 13% increase (as compared to FY 2011 budget). Although the WG notes the slight reduction in the growth of the budgeted expenses and increase in the estimated revenue, we re-iterate our concern that costs are spiraling out of control.
- *Average Employee costs:* In our March 2011 submission we expressed our concern that personnel costs for FY 2012 are budgeted at USD 28.5 Mio. which would amount to an inexplicably high average per FTE. We suggested that it would be useful, if it has not been done already, to benchmark the remunerations for each job/function. We also suggested that, in addition to (or better: before the execution of) a benchmark on remunerations, it also seems to be indicated to evaluate the relation between job/function description and the actual tasks performed. We trusted that ICANN's Board and CEO would understand the necessity of actions needed in this area, especially in the context of the discussion of the financial contributions of ccTLDs (to ICANN) and the associated ICANN expenses attributable to ccTLDs. In the context of the FY 2012 draft Ops Plan and Budget we cannot identify any commitment to do as proposed.
- *Professional Services costs:* According to the FY 2012 Draft Ops Plan and Budget ICANN expects to be spending USD 17.267 Mio. on professional services. In the FY 2012 Ops Plan Framework they were budgeted at USD 17. 212 Mio. (Which was an increase of 15% over the FY 2011 budget). The WG notes that prior to the publication of the Draft FY 2012 Ops Plan and Budget it was indicated that professional services would be reduced in the amount of approximately USD 0.5 million. The SOP WG was therefore surprised to note that in effect the spending on professional services increases. The SOP WG reiterates its concerns that ICANN is not structured to cope with the management challenges involved.
- *ccTLD contributions:* In our submission on the FY 2012 Ops Plan Framework it was stated that the FY 2011 forecast of ccTLD contributions appears to be half of the original amount budgeted

(USD 835k vs. USD 1.6 Mio.). Surprisingly, the proposed FY 2012 budget is identical to the FY 2011 budget (USD 1.6 Mio.). If the forecast is correct, it would suggest that in FY 2012 ICANN expects to receive twice the amount it has received in FY 2011 from ccTLDs. In the Analysis of the comments, the SOP WG notes the following passage:

“ICANN response: The FY11 forecast is based on a trended budget and represents a conservative estimate based on current fiscal year-to-date FY11 contributions. ICANN will *vigorously pursue* additional ccTLD contributions...”

The SOP WG assumes that the terminology “vigorously pursue” will be adjusted in the version that will be presented to the ICANN Board of directors for adoption.

We trust that our input and comments will help ICANN to finalize its FY 2012 operational plan and budget which will meet the standards of efficiency, effectiveness, transparency and accountability pursued by the organization and needed by the community.

We would welcome a response on our submission, in particular to understand which comments are reflected in the FY 2012 Operational Plan and Budget that will be presented to the ICANN Board and, more importantly, which were not and the associated reasoning.

On behalf on the ccNSO SOP Working Group

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Chair.