**Background**

Working Team 1 is tasked with meeting the Working Group's Charter Objective 2: To identify how the application fee can be reduced and/or subsidized to accommodate applicants that fulfill appropriate criteria to qualify for this benefit, in keeping with the principle of full cost recovery of the application process costs.

**Process**

WT1 examined how the application fee has been constructed and explained/justified in the cost consideration documents[[1]](#footnote--1) and the DAG4 in order to determine if there is any potential for requesting the fees be revisited for applicants that meet the established criteria. The WT suggests several options for financial support of applicants. The first two suggestions have consensus; the remaining suggestions are still under discussion.

The fee for applying for a new gTLD is $185,000. The fee structure is divided as:

1. New gTLD Program Development Costs $ 26,000
2. Fixed and variable Application evaluation costs - Predictable $100,000
3. Risk/Contingency costs $60,000

**Proposals**

The following suggestions have been formulated by WT1.

1. Waive the cost of Program Development ($26K) for selected entities qualifying for financial assistance. The document *New gTLD Program Explanatory Memorandum New gTLD Budget[[2]](#footnote-0)* indicates an expected Net profit of $184,600 for the new gTLD program. This profit could offset the loss of waiving the $26k program development costs for seven applicants. We expect very few applicants (relative to the total number applying) to meet the criteria for assistance, so the financial burden of waiving these fees should be minimal.
2. Graduated Fees. Instead of paying the entire $180k upon acceptance of the applications, applicants meeting the criteria established for support could pay the fees incrementally (perhaps following the refund schedule in reverse). Allowing an applicant to pay graduated fees gives the applicant more time to raise money, and investors will be more likely to back an application that passes the initial evaluation. Graduated fees enable an applicant to compete for strings that might otherwise have gone to the first and/or only group with enough money to apply. If the applicant does not proceed through the entire process, they are not "costing" ICANN the full projected amount, therefore cost recovery remains intact.
3. Auction Proceeds. Qualified applicants receive a partial refund from any auction proceeds[[3]](#footnote-1)—for which they can repay any loans or invest into their registry, or the auction proceeds could be used to refill the disadvantaged applicant’s foundation fund for subsequent rounds.
4. Lower the Registry fixed fees due to ICANN. In lieu of the Registry-Level fixed fee of US$25,000 per calendar year[[4]](#footnote-2), instead only charge the Registry-Level Transaction Fee of US$0.25 per initial or renewal domain name registration. An annual fee of $25k to ICANN is a barrier to sustainability for an applicant representing a small community. Many TLDs pay much less to ICANN (if anything). If a minimum is absolutely required, then consider lowering this fee by 50% for qualified applicants.
5. Reconsider the Risk/Contingency cost per applicant ($60k). The WT questions if ICANN really expects a total of $30,000,000 ($60k x 500 applications) in unknown costs to surface. This fee could be reduced/excused for the applicants that meet the criteria established by the WG.
6. The Fixed/Variable cost of $100,000 is based on the total cost of the previous round of applications, which the cost considerations document quantifies as $1.8MM for all ten applications. This fee most probably includes costs associated with the conflict that arose from the rejection of the ".XXX" application, which is remains unresolved. The fee of $180,000 may have been significantly skewed by the long-term work required for .XXX. The actual evaluation and administrative costs for the other nine applications may have been considerably less than $180,000 per piece. If this is the case, the $100,000 fixed cost fee could be reduced.

WT1 is working with WT2 on identifying sources of funding for subsidizing the fees for qualified applicants. The WG suggests that an independent foundation be established, outside of ICANN structures, to assist applicants with funding.

1. <http://www.icann.org/en/topics/new-gtlds/cost-considerations-04oct09-en.pdf> [↑](#footnote-ref--1)
2. http://www.icann.org/en/topics/new-gtlds/new-gtld-budget-28may10-en.pdf [↑](#footnote-ref-0)
3. http://www.icann.org/en/topics/new-gtlds/Draft-rfp-clean-28may10-en.pdf page 4-18 [↑](#footnote-ref-1)
4. Draft-rfp-clean-28may10-en.pdf Registry Agreement 6.1 [↑](#footnote-ref-2)