

## **Public Interest Registry comments on ICANN FY16 Draft Operating Plan & Budget**

Public Interest Registry appreciates the opportunity to comment on ICANN's Draft FY16 Operating Plan & Budget. We commend the ICANN Finance Team for delivering on its promise to provide greater detail on planned expenditures down to the project level. This is critical for interested observers trying to make sense of ICANN's ever growing expenses. Likewise, we congratulate the Staff for getting the draft budget out for public comment this early in the development cycle. Past delays have undermined the credibility of the budget process by artificially constraining meaningful public comment and staff responses to highlighted budget concerns. We sincerely hope that this is the start of a new trend.

Despite these improvements, Public Interest Registry notes that this year's proposed budget still contains no cost-based justification for ICANN's revenues or various expenses. The draft budget also has no cost-benefit analysis, even though the last Accountability and Transparency Review Team made this specific recommendation in its January 2014 report. This remains unacceptable for an organization whose revenues and expenses have experienced such significant growth.

Public Interest Registry believes that ICANN must prioritize the rationalization of the revenues and expenses contained in its budgets. To this end, ICANN should begin by engaging its contracted parties as soon as possible in a review of the cost justification of all domain name-related fees. Registrars were offered a discount on their domain transaction fees as an incentive to sign the 2013 Registrar Accreditation Agreement, yet the community never understood how ICANN arrived at the rate reduction. This arrangement lacked transparency and accountability. Registries, on the other hand, have never had their fees reviewed, much less reduced. Similarly, the registries' petitions for such an assessment during the ongoing new gTLD Registry Agreement negotiations were rejected.

As a first step, ICANN should focus on the \$25,000 minimum annual fee it charges all gTLD registries. For smaller operators, especially those operating Internationalized Domain Name (IDN) domains, the annual fee is a significant drain on operations that could be better used promoting the TLD. ICANN management claims that it supports the IDN program: make that a reality by engaging with registries now to cost justify their fees and build rationalized budgets going forward.

Respectfully,

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Public Interest Registry