

TRANSCRIPT

Finance Working Group Meeting in Durban

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Attendees:

Sieger Springer, .nl
Mary Uduma, .ng
Byron Holland, .ca
Keith Davidson, .nz
Lesley Cowley, .uk
Lise Fuhr, .dk
Peter Van Roste, CENTR (phone)
Mathieu Weill, .fr
Eduardo Santoyo, .co
Henry Chang, .hk
Minjung Park, .kr

ICANN Staff:

Bart Boswinkel
Kristina Nordström
Gabriella Schittekk
Xavier Calves

Byron Holland: Welcome back, everybody, to the financing working group meeting on our traditional Sunday 1PM timeslot. I think the good news is that we can see the light at the end of the tunnel for this working group and for the work that we're doing. I have an optimistic viewpoint here and I will continue to maintain that. But really this meeting as I said in my notes is fundamentally an extension or continuing on from the Beijing meeting, key elements we're going to be discussing as per the agenda were really just refinements of the banded model, the refinements were really two-fold from some of the input from the Beijing meeting as well as some more up to date facts and figures from ICANN to the finance department. Both of those sets were incorporated into the model I've shared over the last couple of weeks. Hopefully you've all had time to take a look at it. The goal is to come to conclusion on having reached a framework we can all live with as well as then have the discussion about how we're going to go

forward here in terms of socializing with the community, both the internal ccNSO community and ccTLD community as well as other external stakeholder communities, et cetera.

We have two hours today. We're going to start with Xavier who is going to walk us through some of the updated facts and figures that have worked their way into the framework you all have as well as provide some further commentary on timelines overall, also some of the potential future numbers via a comment that Mathieu has in particular, how might this look over time and speak to that a little bit. So, with that, I will pass it over to Xavier now.

Xavier Calves:

Thank you, Byron. We meet again at the same time. So, as a follow-up of the meeting we had in Beijing, I've used a very similar spreadsheet that seems to be showing fully. Hope you can actually see. It's there for a reason I don't understand. I appear on my slide but not in the projection. Hold on. Let me do something different. I use the same document we looked at together in Beijing to try to give a sense, to share a view of how the costs we've included in the shared portion of the model will potentially evolve over time. I didn't try to assign it figures because it's a high speculative exercise without having a more comprehensive five year plan documented with figures. So, what I tried to do instead is qualify whether the costs or the allocation key would as per my own views evolve either as an increase or would be stable or would decrease which would therefore lead to having the component that was supplied to increase the stability. I've done that for each governance for the ICANN meetings, the IANA and the IDNs as well as further direct costs. I think it's relatively self understanding but of course I will address any questions there may be. For the governance I'm expecting the cost base will increase a bit. This is just my views of the finance at the Board. EAs are currently requesting more support than they have from a -- standpoint. Therefore I'm expecting the cost base to increase a bit. I don't think it's going to be hundreds of thousands of dollars or millions but I would expect a minimal increase. I would expect the allocations we're using to stay stable. I don't think there would be a much bigger or different number of Board members. I would expect it to remain stable.

For the ICANN meetings I would expect the cost base of the ICANN meetings to remain the way they are today. I speculate with more participants there would be cost increases possibly but when the number of meetings change to a lower number of meetings per year possibly I have for the sake of this exercise just figured the meetings cost would be stable. Then as it relates to the allocation key I have assumed that while the ccNSO representation at each meeting would remain about stable, the total number of participants at each meeting would increase and therefore the portion allocated to the ccNSO would correlate to the decrease. So, that's an item that in proportion would contribute a bit less to the total amount.

I have assumed that contributions from the host countries that host the meetings would remain the same as the current number we're using which if you remember is \$250,000 as an average across per meeting and therefore \$750,000 per year. I assume this would also stay stable. The IANA function, I assumed that the costs would remain stable even though the volume of activity would increase but efficiencies would help offset the increase and we assumed that on the basis of the key we've been using which is the number of domain names that the number of domain names would increase more on the gTLD side than would decrease on the CC side and therefore the proportion from the CCs would be lower as a result.

On the IDNs I assumed that the cost base would decrease because the implementation of the IDNs would be more behind us than in front of us and then the allocation would remain stable. Also the direct costs which are mainly

secretariat support would remain stable over time. We don't have -- as I said I didn't produce numbers but my estimate and you can obviously have your own views on this is that overall with some puts and takes would probably remain relatively stable over time on the basis of this very limited analysis.

Any questions or comments?

Okay. Moving on, I think at this stage based on some of the conversations we've had in Beijing --

Byron Holland: Xavier? I just want to check in for a second. I know we have remote participants and the conversation around future costs was stimulated by Mathieu who I know is on the call. I just want to make sure he's had the opportunity to say anything should he so chose.

Mathieu Weill: Thanks, Byron.

Byron Holland: You don't have to say anything. I just wanted to make sure you had the opportunity given that you're remote.

Mathieu Weill: First of all I wanted to thank Xavier for trying this exercise. I struggle a little bit on the conclusion that the amount would stay stable given what he said before and I understand it's difficult to produce any numbers on this. But I appreciate the effort of putting this in perspective for in a few years time. I think given that it's not possible to actually provide any actual figures we certainly have a judgment call to make whether we believe the shared costs will remain stable or whether they will go up by so much or down by so much. Am I right, Xavier, in your conclusion?

Xavier Calves: I agree, Mathieu. Honestly if you'd try to be a little bit more precise and add together the items that increase and add together with the items that decrease I agree that it's probably from either stable to a slight decrease than you would normally see if we should assign numbers to that analysis. I think we have to be cautious with drawing too much conclusions at this stage. But I agree with you that the word decrease appears more often than the word increase on this slide. So, on the basis of that, we'll be making a slight decrease in costs for the sake of not trying to be too precise with the analysis that it's not been designed as precise, I left it at a stable conclusion. But I understand your comment and I think it makes sense.

Mathieu Weill: Remember, I don't see the slide.

Xavier Calves: Right.

Byron Holland: Without the benefit of seeing the slide, there are some puts and takes as Xavier said. None of them seem outside the realm of possibility. So, the end conclusion in the sum of conceptual exercises, at the very least not unreasonable. When I look at it and think about it, where there are differences from what I can see there is a next level one might question is what's the level of materiality literally from a certain mechanic perspective? Would it meet any test of materiality in terms of where it could be wrong? With that test probably as a conceptual exercise within the realm of reasonable which at this stage I think is as close as we're going to get.

I'll just make one final comment. That said, I think given this is an agreement or framework we want to have in place for awhile I think there would need to be some kind of outlet should this prove, these sets of facts and figures, to not be correct over time, at some point in the future we would have to have an opportunity to look at the numbers. Not necessarily the framework but the

numbers themselves and have that as a bit of an outlet valve should it be required. Peter? You wanted to say something?

Peter Van Roste: Thank you, Byron. Apologies for not being here. Maybe it's much clearer from the room but what I'm struggling with is when discovering some of these details it was about lower months, other issues such as participation and the allocation keys as to ccNSO, the end conclusion of the percentage of the overall budget that will remain stable or rise it, the dollar amount that will remain stable because the two will obviously be tucked away according to the increase in the ICANN budget over the years.

Byron Holland: Let me try to understand that. Specifically on the meeting costs what you're suggesting, if I got this correct, is there's likely to be an increase in meeting costs because of more participants in the gTLD realm and how will that impact us from a ccNSO perspective. Was this a percentage base or an actually cost base exercise. Is that roughly correct?

Peter Van Roste: Yes. In that instance we were talking about the cost allocation key that will make sure that because the number of participants increases and the number of ccNSO participants remains stable we would as a percentage of overall cost we share with the ccNSO would go down or remain stable. On other items we were talking about lower amounts. The bottom line for the question is the conclusion, the ccTLD allocated costs will remain stable or about stable as in they will remain roughly 10% of the ICANN budget or will remain roughly at \$4 million.

Xavier Calves: I think the conclusion was about the amount rather than the proportion.

Peter Van Roste: That's very helpful. Thank you.

Byron Holland: Any other questions on this part of the discussion? If not maybe I could ask Xavier to comment from ICANN's perspective on the notion that we've been working with that using the assumption that the framework that we've been looking at is going to wind up being roughly what we concluded on. In addition to that there would have to be some ramp up phase where it would go from the contribution made today to some future higher dollar contribution number and that ICANN will be able to live with a phase in period as opposed to a step function.

Xavier Calves: I concur. I think as we started discussing in Beijing, the outcome of this exercise which will lead into a contribution model then will need to be implemented by the ccNSO, considering the magnitude of the change versus the current level of contribution, I would expect naturally from just a practical standpoint from the CCs that the implementation of it and reaching the target would take time. So, you guys will work on the allocation model, the distribution model, and the implementation. My expectations would be it will take a certain amount of time for you guys to determine how much.

Lise Fuhr: I found that we're still working on the model so even though ICANN will accept that we need some implementation time, that's going to be reality if people chose whatever. Sorry to be so harsh but it's very important to underscore.

Xavier Calves: That's the reality. Whatever will happen will happen and I expect things will happen over time. I'm not asking for a commitment of any kind. I just assumed that because it's going to take -- first of all it's a significant effort, an increase in effort. To your point on this aspect I'm assuming it will take time. I don't think there was an allusion of commitment of any kind of timing or amount.

- Byron Holland: Xavier, the number you most recently provided us with were slightly different than the ones we saw in Beijing. Not significantly but slightly different. Did you want to comment on what the key elements there were?
- Xavier Calves: Yes. There's a small variance versus the previous versions of the direct costs that you had seen before. I think. Before Beijing we looked at the direct costs and I think it was in Toronto the direct costs were approximately \$1 million. I think it was \$990,000 from memory. Now these direct costs are reevaluated at \$825,000. So, \$200,000 below. The main difference is we have removed from the direct costs the IDN contribution which we've now included in the shared costs. Because between the two analyses we have taken into account that the IDN was not just a CC subject anymore with the gTLD program since there are IDNs in the new gTLD program there are now IDNs in the G and therefore the cost for the income shared rather than directed to the ccNSO. So, we removed from the direct costs the IDN that was included in the previous version and as a result of that amount decreases and the total of the two together is 2.5 versus the 3.7 from the previous version.
- Byron Holland: Any comments or questions on that? That was really the only material change.
- Xavier Calves: The only change, yes.
- Byron Holland: Any other questions for Xavier before we set him free for the moment at least?
- Xavier Calves: I actually intend to stay.
- Lesley Cowley: Xavier, this isn't directly related to this conversation but I think it will be ultimately. To what extent has ICANN done some longer-term financial projections at the moment?
- Xavier Calves: None. For the moment.
- Lesley Cowley: I would encourage you to do some.
- Xavier Calves: Really? Maybe a slightly expanded answer than the one I just provided. In the new strategy planning process as you're aware, my very strong expectation is we will compliment the strategic planning process versus what's been done in the past or not done in the past with an even more comprehension five year plan set of actions with which we'll be associated financials. At the relatively aggregated level but at a standard modelized type of granularity across the five years they will obviously address costs, revenues, capital expenditures, cash flows, basically completely standard five year plan business models. That's my expectation of where we need to go. It will be a little bit more clear how the start of that five year period would look like when the new utility program kicks in with the first registry. That drives the revenues and of course the revenues will drive the costs. So, shorter answer, it's slated for a strategy planning exercise.
- Lesley Cowley: Thank you. As it should be. I guess my raising this now is to give you pre-warning. The ccNSO has an interest in longer-term financial strategies for obvious reasons and particularly the potential services in ICANN and so we may have raised this in our conversation with the Board and it's not directed specifically at the finance team. It's coming from the point of view of taking a longer-term strategic view on potential services. I just wanted to point that out to you and have you understand it's not coming out as a criticism in that sense. But nonetheless the gTLD applications have been around for over a year now. Some of them have optimistic models no doubt in terms of registration volume which could inform some basic kind of projections, options in terms of revenue that will therefore also inform the longer-term financial discussion. I just wanted to share that with you so that it doesn't get sent to you as something to respond to

because that's not the direction we travel. It's more thinking about longer-term financial strategy.

Xavier Calves:

I concur completely from a more technical answer to the point of cautiousness relative to the business model. We have in the FY14 budget included new revenues for responding to registries coming online, the assumption that we've retained is do not include any transaction fees that only kick in after some thresholds. We have assumed that numerous registries will need that threshold and for those that would be coming online this year I think it's a reasonable option if there would be fees generated by transactions then there will be coming on top then great. But I don't think this is a reasonable approach and yet we have also taken a margin between the schedule of the program of registries coming online, the timing of the program. We have taken the margin by assuming we'd actually come online later when meeting the revenues so that we're being cautious from that perspective as well. So, this is just a -- in a longer-term I would want of course to be more cautious as well as obviously using the flexibility that the business model has which is to formulate scenarios. We would have an aggressive one, a middle one, a cautious one, and then we'd give a range and I think that would be the approach to address that subject.

Lesley Cowley:

Thank you. That makes sense. Now that the normal projections are in the gTLD are of course perfect and online the impression is they're all way out. But it's interesting the assumption on transactions are zero. I think that's simple. That may well be something that organizations in percentage may have quite a material effect overall but we shall see. Thank you.

Byron Holland:

Any final questions for Xavier? Thank you very much, Xavier.

Xavier Calves:

Thank you for inviting me.

Byron Holland:

So, moving on to the next phase of the meeting I wanted to review the updated and fine-tuned framework and guiding principles. Just to get everybody back up to speed and pick up on something that was mentioned which is critical to it, try to bring this back up. There we go. Just to quickly review what I think are the core guiding principles and the results of the many meetings we've had on this subject because these guiding principles I suppose really inform the subjective component or the qualitative component of the work we've done here and I think also are geared towards giving comfort to those who might be concerned about looking at tables of numbers. I think the key here to pick up on what Lise did earlier. The title is voluntary contributions of ccTLDs to ICANN. I think that makes it as absolutely clear as we possibly can when we go to post this or socialize it around other communities or within our own community, et cetera, the number one headline first word -- voluntary. Now, that said of course we hope people sign up and volunteer for this but there is I don't think any way that anyone could miss the nature of these. So, that said, I just wanted to have a few minutes here to make sure we had captured and tried to pull into a relatively simple, short document all of the key elements that we've been discussing over the last 18 or more months. So, in just going through them I'd like to have any feedback because we're trying to get to a final set of guiding principles that we can then start to put forward to our community and others. Another one that has been -- was that Peter?

Peter Van Roste:

Yes. Hi, Byron. Apologies for stepping in late, there appears to be some delay, an echo on the line? On the voluntary thing I missed Lise's comments. I couldn't understand. But you might've seen that actually our chair objected to referring to those contributions as voluntary during a Board call when I was believed the essential call for the ICANN and he said it will not be voluntary because of the provisions in our exchange of letters or the accountability framework. I'm not sure. But looking at those, the documents refer to the final -- or the agreements

between the CCs and ICANN on this matter. While I doubt it will have that impact, I think it's very important that we have an answer to those that might be concerned with that issue. Thanks.

Byron Holland: Okay. Thank you, Peter. The sound quality is a little challenging for us in the room here but I think from what I could determine from what you said we actually have a point in these guiding principles which I believe would speak to that. That's the fifth point which speaks to the point that individual ccTLD managers will have their own relationship with ICANN. Lesley?

Lesley Cowley: I think the point, Peter, if I hear you right, you were trying to make is not all CCs have a voluntary model. I would suggest that it's voluntary and put a footnote to say there are a small number -- because I don't think they're in the majority -- there are a small number of ccTLDs that have contractual relationships or other non-voluntary arrangements with ICANN. If I heard right. I think that's the point.

Byron Holland: That's definitely the point I took away. That's why I said if you look for us the screen at the bottom bullet points was trying to capture that. Maybe we could nuance that and make it a little bit more --

Lesley Cowley: It still says voluntary.

Byron Holland: So, one second, Lise. Yes. It does. After the comma after ccTLD manager. Maybe I'm picking on the comma from my perspective. What I was trying to capture in the first half of that clause was this exact notion. At this point I'd say it's safe to say I didn't capture it crisply enough but that was actually the thinking behind the first half of that sentence. I think as a takeaway to make that more specific -- Lise?

Lise Fuhr: The mic doesn't like me.

Byron Holland: Try this mic?

Lise Fuhr: Actually if we say non-voluntary it's going to be a problem because a lot of the exchange of letters states that a permanent solution on ccTLD contributions to ICANN will be acknowledged. So, you would have -- you could risk that ICANN would give back to ccTLDs and say -- You promised to acknowledge in your permanent model and it's this model that's permanent then we have a demand that relates to a number of domain names. You may risk that some members will be forced into this. And I don't think that's a very small number.

Lesley Cowley: But acknowledging something is not the same as agreeing to it.

Byron Holland: I think there's an opportunity in the language to carve out the notion that individuals specific quasi-legal one to one agreements can be made. What I tried to capture here is that those would supersede whatever this is. Fundamentally we're putting in place a framework that everybody can rely on or lean on but if you have your own quasi-contractual agreement that's going to supersede anything here. That's what I was trying to get to with this final bulletin. Clearly it's not clear enough and can take another pass at that to try to carve that out more succinctly or clearly. Peter?

Peter Van Roste: Thank you. Would it help if you switched the order of the two parts in the clause so the general rule function from the ccNSO has developed a model of voluntary contributions but of course this does not prevent any ccTLD registries to make individual contracts between themselves and ICANN.

Byron Holland: I think that's a good suggestion. We can work with that.

Peter Van Roste: If you look at the final clause what's causing probably the confusion is the words these voluntary contributions. If you take that one out and add something like the language this could be used for other arrangements as well, then it clearly says on the one hand this is our banded model and this will not take this step and say what we'll do. It's just for guidance for ccTLDs. You set the band. That's the way it's done in the other as well.

Byron Holland: I agree with this point. Clearly we didn't capture the essence or we didn't make clear the essence of what we were trying to capture which is exactly this point. So, we've got it. What I'll do is ask Alan who's sitting right beside me to reformulate that bullet point while we move on.

So, bullet point two. Before we go to bullet point two I just want to go to the appendix to refresh everybody on the various contribution categories that we have. I think I'm going to. I'm a Windows person, clearly not an Apple person. So, the first bullet point in the appendix -- this is the appendix. Really it's just summarizing the categories we've looked at numerous times but also updates it for the IDNs are per the comments that Xavier just made. I think it's important to note a couple of things here, very specific items which have been looked at in some depth by Sieger and Lee and Alan and of course the rest of us over time. I'm pretty confident at this stage that we can agree on those.

The shared items which again have been refined to reflect the shared nature of the IDNs versus previous iterations from ICANN which fundamentally have those costs associated with the CC community. I think that's a good positive step.

Then the global notion. This is really capturing the notion of an exchange of value, the value exchange model on which this is all based which suggests of course that the CCs have a significant input into the overall ecosystem which balances out any of the global costs that ICANN has and as such -- and I think this is a major step forward -- ICANN is not allocating any global costs to the CC community.

So, those are the three core categories. We've seen some movement around IDNs. But essentially that's how we've come to the total number here of \$3.6 million roughly. So, the appendix is being referred to on bullet point one of the framework. Just moving back up to bullet point two that the ccNSO recognizes that ICANN undertakes expenditures that are direct and specific benefit to the ccNSO community and recommends that ICANN be reasonably compensated for these costs. Of course that's a critical points because that underpins the belief that ICANN legitimately spends some money on behalf of this community and that we should in some reasonable way compensate them for that.

The third point -- and this has come out strongly from this working group is to remind ICANN and anybody reviewing this about the public interest mandate of ICANN and the need no matter how much money they actually have for them to spend it efficiently and effectively. Just because you have it doesn't mean you should spend it.

Short point recognizing -- and this was good feedback really from the Beijing meeting -- CC operators have a wide range of business models. Some from extremely commercial to others at the other end of the spectrum who will give away domains to their citizens freely and everything in between. We need to recognize and respect the fact that different CC operators will have very different business models. Not only do we have to respect that, the external communities have to also acknowledge and understand that.

Finally bullet point here, I think we can skip because we've had considerable discussion. For those on the call it's the one talking about CCs who may have specific agreements with ICANN.

On the framework points --

Peter Van Roste: I have a question -- why should we expressly say there are some countries choosing not to charge for registration of domain names? Just to say there is a wide variety of business environments, is it necessary to say that we can say then -- ask the -- the domains?

Byron Holland: Part of it is the wide ranging audience, not just ourselves, that may have a closer understanding of how different CCs operate but for those outside our community who -- we're somewhat opaque to them. To really highlight very specifically highlight what a broad range of business models they have because when we get critiqued for not paying our way, one of the elements we can use in response is -- yes, some of us charge a market value for a domain name. Many other countries give them away as part of building their internet community. And the for profit entities who may be looking at us probably aren't understanding that. That's the why it's there. Now we can debate should it be there. But that's the why, to really just highlight the breadth of the spectrum under which we operate.

Peter Van Roste: -- how wide it is, how different an environment we have in the domain space -- in particular. My point is why should we include in the guidance in the principles? I would stress just the experience of the chain and not between them -- a wide operational and business environment in between, some that charge nothing and some that are very commercial entities. You're saying there is a wide variety of business and operational environments. That's probably good enough to say that. But I'm not completely rejecting the possibility of the wording as it is now. I'm just asking should we maintain these or not.

Byron Holland: Any other thoughts? Anyone feel strongly one way or another? We have set one end of the goal post but not necessarily the other in this statement. We simply do not. I'll take a look at that. On to the first bullet point on the second page where CC agrees to initiate payment or contributions or increase contributions, these amounts should be phased in annually or over a period of three to five years in equal amounts. This particular guideline is an attempt to really make clear that it will be phased -- any changes will be phased in over a material period of time and at the discretion of the CC. Although, that said, we're trying to put some bounds around it so that there's some normality around how we do it as opposed to having 140 different variations for ICANN on how we do it.

Lise Fuhr: Not surprisingly, I'm not that fond of this one and that's because I think it takes away some of the voluntariness of the feedback. I don't see why we need it here. I know you'll give ICANN a sign that we want to move forward but I think the model is a strong enough signal.

Byron Holland: I think the real reason this was put in, from my perspective, is to make sure CCs have the time and distance. Because if we don't say anything, my feeling is there will be an assumption that -- oh, here's a new model. Here's a new number. Start paying. This particular bullet was to give us the space and time as a community and make ICANN sign up for that in agreeing to the framework.

Lise Fuhr: I think that's a good point but I think you can remove the three to five years and this could be over a period of time.

Lesley Cowley: I think the problem with both of those is the word should. We have discussions because we're English about whether you should or shall or could or whatever and I think should is something that implies you will. It doesn't leave you much

wiggle room. Maybe someone who's much better at wordsmithing than I might want to think about the use of should.

Byron Holland: This harkens back to Dubai where we spent I don't know how long on could versus would versus shall. I'll go back to those notes and see what was settled on.

Lise Fuhr: We're not going to be here as long.

Byron Holland: No. I promise that.

Lesley Cowley: Nothing springs to mind. I know there are several alternatives that give you more wiggle room.

Peter Van Roste: Welcome to the FOI world.

Byron Holland: Duly noted. I'm confident we can find that word. Thanks for that.

Mathieu Weill: I think to really understand Lise's point that the current phrasing seems a little too strong for a guideline. But the part I think we actually should consider removing is the equal amounts part. It's important, as you said, Byron, that we get a period of time to adjust to the new system, but it would be -- I am actually wondering what is the need for saying that after this period of five years we should increase in equal amounts. If we do that we have three to five years to adjust in a way we see fit.

Byron Holland: Again, the rationale for it was just to normalize it a bit and give guidance as well and normalize it for ICANN as opposed to having 140 different solutions that we all know how to guideline and what to expect. I definitely wrestled with this. I too wrestled with should we be more prescriptive or guiding or should we allow a vital interpretation. In this instance it was trying to find the balance between normalizing it for ICANN and providing guidance for the community. I'm personally not wedded to it. Like I said, I went back and forth on this. I'd like to hear your thoughts on this. Sieger?

Sieger Springer: I agree with you. I think there's no really using it. As far as this is concerned, we can take it out.

Lesley Cowley: How about these amounts could be saved in annual or over a period of three to five years and drop in equal amounts. I think the concern from my perspective it's about managing expectations about the period in which you might change your contribution. In some cases, even in my own, quite significantly.

Byron Holland: That's a good description. Thank you.

Mary Uduma: If you want me to make it different instead of should, we would be forced -- I don't know -- I'm not envious to who would go through the comments.

Byron Holland: That's a possibility I think could in combination with adding the or between annually and over changes the nature of that statement. After the comma it would more accurately reflect what we're trying to get to. I think it softens it with the could. And when you put the or in it, it changes the nature of it a bit. It allows a surmountable pass. One you're just going to do it annually. And two says we're going to take a little bit of time to do it and do it between three and five years. That actually opens it up a fair amount.

Lesley Cowley: This increasingly sounds like a negotiation on words, doesn't it?

Byron Holland: You didn't go to the Wiki did you?

Lesley Cowley: I heard lots about it. I think for me the could and the or is preferable to may because the may is limiting the choice where you could do this or you could do something entirely different. But it is down to usage of words for which I apologize.

Byron Holland: There are some good suggestions there. Duly noted. I'm sure by the end of this meeting we'll have an edited version. Final bullet point. Where registries are responsible for managing more than one TLD -- take out domain name. Hopefully most of us manage more than one TLD. Most often in the case of IDNs with ICANN contributions should reflect these multiple domains under management. Now, that has the potential to be a hot spot for some people. Really what this is getting to is even if you're a single operator but you're managing multiple TLDs, that each TLD would be making a contribution, not necessarily just one single operator. Comments?

Henry Chang: I did get to why this thing here and when you're talking about IDN that goes back to the comment model just related at. Because here in the ccTLD registry they could be giving away the IDN domain names for free just to build the usage. In that case, those ccTLD registries may not be paying up to the band in terms of the total number of domain names in management. So, I was wondering -- and also some ccTLD registries may be managing the IDN ccTLDs and also new ccTLDs how do all these fit in to this framework or is this the model?

Byron Holland: I knew this had the potential to be a flash point. The idea here was that there's a presumption or assumption that each TLD will have its own business rational behind it, its own set of costs, et cetera, and that one of those is if it's participating in the ICANN process that it should be making some contribution to the ICANN process. The other is that it helps to mitigate the potential for a single operator who's maybe doing numerous things to in a sense get away with only making one contribution. So there's only one expense associated with two or three or four revenue channels and maybe for example if there's an operator that's doing a ccTLD or gTLD plus their local IDN plus their original CC, is there a way to ensure that everybody pays a fair and reasonable amount. That's what I'm trying to find a balance with here.

Henry Chang: I think operating the ccTLD registry you're contractually buying to pay anyway. So, why are we mentioning this in the ccNSO or ccTLD framework or model?

Byron Holland: I guess if we look at the edge case, for example Russia who has -- correct me if I'm wrong, but I think 700,000 IDNs right now as well as a very significant non-IDN TLD. They're in early days and they have very robust registries. How should we handle that? Should they not make any contribution? I'm not picking on Russia. I'm just saying it's one that's been very successful and whose number are high already. Assuming many will follow suit, what do we do with that?

Mathieu Weill: I think I have an edge case. I can expand a little bit on it because it's related to this bullet point. Afnic is the manager of six ccTLDs, all for French territories. The question that is raised and has been raised for awhile actually is whether Afnic has one voluntary contribution for ICANN based on either the largest top level domain we manage or the total number of domains under management or if we have six different voluntary contributions. The current bullet point is okay as far as I'm concerned because it leaves this open but I think it's fair to ask for registries to be responsible of their global contributions and not use a specific gTLD as a -- now I'm done with my contribution, the rest is for the rest of the community. I think that's one reason why it's important we address this in our documents and obviously make adjustments to the wording. But I think it's important we have this in the document.

- Keith Davidson: I think this is on employer of those issues that there's no possible right answer for. So we're sort of clutching at straws to examine individual cases and I think by necessity we have to find a one size fits all solution or guideline for what we're trying to do. I guess the exceptions we're discussing probably require a separate and offline discussion where those cases are tricky and don't fit the framework you're displaying. So, I'm just saying probably what we have here is the least wrong option rather than the right option and that's probably as good as it will get. I'm actually quite supportive of this as it stands.
- Bart Boswinkel: So, there's one complication in the case of IDNs. The complication is IDNs currently have their own mechanism and that's revenue-based. So, what this means -- there's, say, you could go for 50 years. What it does mean is we'll replace the current revenue based model that's in the applicant implementation plan of the IDN ccTLDs. So, it's unclear whether in principle for future this will apply for new IDNs but you have the current IDN ccTLDs who pay in principle on a revenue base up to a certain point. There won't be any contribution if they're less than -- I don't know how many. And then they start paying on a revenue basis, I think 1.5% of the revenue and then increasing to 3%. And that's -- if you put it this way, it is replacing that one as well. We started to create confusion because we already have this agreed upon mechanism although that is voluntary as well.
- Sieger Springer: Following Bart's point I think this would be useful to remove the phrase about IDN. I recognize the fact that the example Mathieu pointed to, Afnic is running multiple IDNs and I appreciate that. That is the contribution in that case. But I'm not sure if it would be useful to remove the base IDN. IDNs have this whole model of contribution and that's revenue based. Thank you.
- Byron Holland: Perhaps there's an opportunity to capture the spirit of what is here. But recognizing there are a number of different instances not IDN specific to take a specific reference to IDNs and leave the comment really just about operators who are operating multiple registries. That will be pointed out. And in essence replacing the back half of this statement with something to the effect of -- I'll leave it open for comment. The total domains under management. That speaks to the notion of if you're running six registries like Mathieu, what are the total number of items under management or the total of what the individual contributions would be based on the banded model. Assuming the lower of those two. Comma. Except where a specific agreement has been reached with ICANN. If you're going to deal with one to one semi-contractual deals with ICANN that's going to supersede, even thought that's stated previously. Reinforce it here. So, we still capture the notion that if you're a single operator running multiple registries we would encourage you to contribute at the banded rate of total domains under management or your individual TLDs under management, whichever is lower. We're still trying to get the essence of -- you know what? You have many domains under management. You should participate at the band that would be appropriate. Does that make sense?
- Sieger Springer: For avoidance of accounts in the future, using more than one country code. Make it very specific country code top level domains. So, it's very clear to the outside world we're not talking about new ccTLDs. Although some operators may use this for new gTLDs and new ccTLDs.
- Byron Holland: Okay. Good point. Thank you. With that, let's move on. As always my optimism for timing is going to get me into trouble. With that we're going to get into the banded models. Just give me a moment. This is the document I previously received. It was refined to take into account refinements made in Beijing where we added a specific band. The bands got a little more granular in nature. This continues the scenario A we provided. And at this point you really get into math.

There's only so many ways to skin this cat if that's a phrase I can use here. The math is not -- we know the number in the bottom right, i.e. the green boxes, based on the appendices we looked at earlier. There's only so many ways to divvy this up in a way that can get to the bottom right number and be reasonable, rational and relative equitable. There shouldn't be any surprises here because this is simply the fine-tuning we saw from Beijing. And what we were working on for the last little while is this framework that we may not love but that we can live with. Lise, you're going to tell me you love it?

Lise Fuhr:

No, I don't love it. I'd like to see a model. I don't like the correlation with the number of domain names. I've said this before. I won't repeat it. I just think the band is fine. You can keep in the number of ccTLDs from the band but that should pay. I think in relation to the number of domain names, we have -- the center models don't have this correlation we have another model where we can get something out of paying more. This said I support of fee band model but I don't support the correlation with the domain names.

Mary Uduma:

Additional to what she said, if you don't know the number of domains, you get the band issue, she has a different model because I think it looks like this is the best model, the easiest thing to look at. Maybe we should share that model and share it with the math of it, the mathematics involved, there must be a base of calculation.

Byron Holland:

Obviously I would tend to agree with you on this. If we go back into the mists of time with this working group, the very first thing we did was look at different possible models, one of which was -- we looked very specifically at the center model and back when we were just assessing the models, the working group actually throughout the center model because we didn't feel it was practical for the CC community, it would appear to work for center but the notion of pay more, grow more was one that at the time when the working group was looking at it, was not palatable was not one that we could sell into the broader community. For better or for worse, I hear you, Lise, but after having reviewed, I'd have to go back and I think we had eight models in total that I think were variations on a theme. One we really looked at -- I think there were five that we really looked at and this one for better or for worse was the only one that could really be effectively utilized across the entire CC community. This is the one we've had to hang our hat on. But your comment are duly noted.

That said, are there any other comments on this particular band? So, the first thing I would ask is are the bands themselves while recognizing Lise's comment, trying to capture an equitable distribution, increasing the band, I think Keith made that suggestion which we've done to provide a little more flexibility in the bands to recognize that since we last did this in I think 2006 the relative size of the registries have changed pretty substantively. I think we captured that with these bands. Keith?

Keith Davidson:

I think to me this looks more robust and I'm quite happy with it the way it is. This is one of those things we could talk about forever and there will be no perfect model. But as long as there's a tolerance at the edge for some CC that might have a specific difficulty and they can recognize that I think we could proceed with this.

Mary Uduma:

I'm a little bit concerned about the last band because in my region it's so difficult to get the first numbers so I want to make sure we contribute -- there's under 20,000 in my region. Some have 1,000, some have 2,000. So, I would just say 50,000. Maybe there would be a provision for those who are unable to pay.

Byron Holland:

We very specifically tried to address that by saying that the contribution for under 50,000 domain names would be \$500 which is not trivial but it's relatively

conservative and the notion that bullet number one, word number one is voluntary. And to try -- everything here, as Keith just said, is trying to find the balance we can live with. One is saying if -- under 50,000 if you can pay \$500, make that contribution but it remains voluntary. And if you are running a TLD with 1,000 or 10,000 domain names and that's not possible, so be it. That's the key. Bullet number one, word number one. Voluntary.

Mary Uduma:
Maybe that will be made clear when it is finalized. I know that in my country, those words would be -- because to be able to talk about it -- thank you.

Byron Holland:
Perhaps from the title here we can reinforce it or something like that. When you look at column number two, the number of CCs in the band and we can see, as best we could, given that we didn't actually have a bell curve available to us in CC sides, as we took a look at this matrix, there's only so many ways you can play with it to try and make it work. This appears to be the most evenly distributed we can get given that it's not an evenly distributed set of registries around the world.

So, in trying to find that right balance between the actual levels of the band, the number of CCs while trying to get to that number on the bottom right, this was the most overall equitable distribution we thought we could find. As you know I sent the model to everyone to say -- Have a go at it yourself. Nobody came back with -- to be fair, nobody came back with anything. But nobody came back with a better model either which we were certain hoping to. But there's only so many variables in this equation.

At the end of the day it's not like there's going to be some revelation that's going to change this. So, short of changing it completely or a solution we haven't been able to find while taking into account the notion of just reinforcing this table. So, if this table goes out into the wild for all communities to see, I'm certain this table is going to win up on its own somewhere to audiences who aren't necessarily as informed as we are. So, it probably does make sense that right in this table we'll work in the notion of voluntary somewhere. Will that suffice? Okay.

With that I'd like to move on to agenda item number two which was around potentially ruling on the communications and tactics. Since we are at 2.24, thank you, we're about 20 minutes behind where I'd hoped to be. That being said we have 35 minutes or so and I'd like to move on to the next phase which, making the assumption we can get the framework guidelines fine-tuned yet again and be able to accept those and we can fine-tune this particular table a little bit and come to a conclusion here, if that's where we're at, how do we start to roll this out to our own community, the ccNSO and ccTLD members? Because there are some members who are contributing who aren't actually ccNSO members as well as our external communities. The Board in particular because if the end goal is to get the Board to sign off on this two, this is the key target audience for us. But the Board is also going to be subject to input and feedback from other constituencies as well. So, how do we get in there and help those constituencies understand the rationale and the logic behind this in a way that allows them to see this as the path forward as well?

So, I want us to have an open dialogue here and discussion just so we identify the communities that we think about and once the community is identified, what types of messages do we want to deliver and how best can we deliver those messages to maximum effect so we work our way towards Buenos Aires we maximize the chance that the Board will get to yes along with us. Lesley?

Lesley Cowley:
Just as a practical suggestion there exists an SOAC chair open call that any one of us can instigate topics on that call and it's been a useful communication mechanism. That might be one of the places we could start a cascade of

information, particularly if for example we have some helpful connectivity points on narrative and then of course we can recycle those in all sorts of places in order to ensure a consistent message gets through. So, from that point of view, kind of chair to chair, that might be one of the mechanisms we can use.

Byron Holland: I think that's a great suggestion. It makes perfect sense. So, in terms of stakeholder groups, that would certainly be a key one. Obviously the Board is the one that in the end has to sign off on this. I mean I think the GNSO we need to socialize this with and come to see the light. But we need to at least soften the ground there.

Mathieu Weill: You say the Board has to sign off. I wonder on what basis. I'm not sure there is any formal requirement for the Board to approve what's in the bylaw gives the Board any power to define ccTLD contributions. I think what we need to have is buy in from all those stakeholder groups, understanding the initial charter and so on. I think this doesn't matter and we need to make sure the other constituencies understand what we're doing and buy in to different step forwards that we have made. But I'm reluctant to have a conclusion submitted to the Board for any approval. There's no need for it. Do you have something specific in mind?

Byron Holland: No. I agree with you. It's the wrong choice of words. But what I want is explicit buy in. So, how we get that I think is still probably to be defined. And you're right, it's not like the voice will take a vote on this for it to be in effect. But how do we make sure they're entirely conscious of it and have bought in so this is no longer a topic of discussion regardless of what lobbying or messaging the Board may receive from other quarters. Yes, buy in is the right turn of phrase. You're correct.

So, between the Board, the ccNSO, the SOAC chair group -- those are the external stakeholders. Are there anybody else that given the resources we have which are certainly not endless that we should be focused on? Bart?

Bart Boswinkel: I would say as an executive, that's Bobby and his global stakeholders, et cetera, as a separate group. They can sign off and they need to defend and share this with others. Because what you see, especially from the contracted parties -- that's the registrar community and the gTLD registries, they need to explain what we've been doing as well. They've been getting a lot of push back and pressure from especially these two groups. So, the GNSO, I want to be a bit more precise about the contracted parties and the contracted parties are the registry and the registrar community.

Byron Holland: That's a good point. Just in my discussions with Fadi and a couple of others my sense is -- correct me if I'm wrong, that the executive is relatively well informed and supportive of where we're at.

Bart Boswinkel: They need to be informed. That's part of the strategy. It's not a high priority but we need to keep informing them.

Byron Holland: Absolutely. Question. Perhaps ALEC who might be pathetic to our cause, should we be bringing them into the fold as well? Any thoughts or feedback on that? Or given limited resources should we be expending them elsewhere.

Bart Boswinkel: I would say informed depends a little bit on what actually you want to achieve. Informing them and keeping them abreast of what's happening is always good. If it's to get their explicit buy in, that's another thing. You have the same with the GAC which is an important group as well because they've been very supportive over the years and whether you have an explicit buy in from the GAC is one. But they need to be kept abreast of what is happening.

- Mary Uduma: I want to talk to how this working group operate, where they start, who's confidences we're in, whether they have a contribution, the management and staff all in this case are immediate. And again I want to say that around the stakeholders here will be members because they need to be clear on what they're doing and then go to the others but do that really critical core -- and the GAC is the group that will support and help us because I think they are getting to be a community we can count on in the ICANN.
- Byron Holland: Thanks, Mary. I agree there. They're definitely a force to be reckoned with and they've been sympathetic to our particular position. And without a doubt our own membership will be the most important to get their buy in. Absolutely. I just wanted to make sure we've identified the stakeholders and start to think about do we have the resources that we can expand against them and how do we want to do it? Certainly the CC community is stakeholder group number one for us.
- Lesley Cowley: I just wanted to highlight a way we could communicate or we could start a community debate. We would like to communicate but not start a community. I think it's helpful to have a buy in to the direction of travel. It's useful to have -- I would be concerned by how we communicate we encourage a community debate. That makes sense. I think it's important that this is what's happening. This is the proper process. It's a good way forward as opposed to opening up the possibility of a greater community debate which from my perspective would be not desirable.
- Byron Holland: I completely agree. That's the issue. It goes back to Mathieu's point. We need an executive to join us in signing off on this. The executive will no doubt be pressured by the Board in different ways, one way or the other. And there are communities who are going to put that pressure on the Board. I just want to make sure we have that covered and all the resources we have to expend again this we can expand them in the most efficient places possible. But first and foremost we need the CC community to get agreement on this but then beyond that the management team of ICANN and keyword people and the SOAC chair meeting is probably the most efficient way to maximize the impact of delivering the message and I like your turn of phrase there. Communicate, not community debate. And how do we make sure we stay on the right side of that line without opening it up to a seeming discussion as opposed to a communication?
- Lesley Cowley: This is a communication process for the ccNSO or an announcement from the ccNSO, not a kind of weak mockery of it.
- Bart Boswinkel: Alright. Just getting the buy in from the CC community, maybe as a suggestion we can refine the different groups within the community. What I mean is you have community members who attend these meetings regularly who are kept abreast of what's going. And then you have a bit of the outside world part of the ccNSO and then you have even a broader group of the CC community and the WHOIS. This is for their reference as well. So, maybe it's a suggestion that we find a bit of the CC community and target specific groups. This will be important for the different groups in different ways and they need to be involved and engaged in different ways.
- Byron Holland: So, cementing the different CC operator types an based on their level of engagement I think is a good idea. If we take that to the next step, any ideas on which ones and what are the segments and how might the message differ?
- Bart Boswinkel: I think that's a good thing to take offline as such a communication plan gets more meat on the bones. At least take it as a concept to developing such a plan.
- Byron Holland: Thanks, Bart. Are you suggesting -- what I'm hearing there too is perhaps a very brief history of how we got there? So that can be easily sent about so people can

see the logic and ration, the flow that has allowed us to get to the number in the bottom right and the band on the left that can easily be distributed as well as to Lesley point some key talking points or bullet points, talking points that are the key messages that can be repeatedly either sent out or communicated. So, as action items we should take that away as something to do.

Mary Uduma:

I'm happy the chair is here. I don't know about the other -- what their position and buy in would be, one. Secondly we could each reach out to groups. We could also get those regional groups involved in cementing the information. Because if it's given to FTLD for instance in my region, then FTLD knows how to communicate with us.

Byron Holland:

That's good. I think the key there is finding a person in the regional organization who will be an effective spokesperson for this cause and if we can do that then I agree. I guess we wouldn't want to hand it to somebody in our regional organization who doesn't communicate the message effectively. Any other feedback or comments on how we get this message out? The tactics or timeline? In terms of a timeline I guess from my perspective, Bart, maybe you have a comment on this? My goal is we get to Buenos Aires and have some moment of agreement with the ICANN executive.

Bart Boswinkel:

I think that should be achievable. Especially given this is more a push communication than anything else with the exception of the CC community. Although at the end of the day this is a guideline and that needs to be adopted by the council. It would be very nice to have this on the council agenda and celebrate afterwards as a sign of it's done.

Byron Holland:

So, the council meeting for Buenos Aires meeting would be the place we would adopt it? And then shortly thereafter have some moment with ICANN where we can celebrate the moment?

Bart Boswinkel:

Yes. And I think that's achievable give that we need to get this document that's coming out, I assume the working group wants to go through a period with the CC community at least to understand.

Byron Holland:

Yes. Once we come to a conclusion on the key documents, the framework guidelines, and this slide, those will form the basis of what we would want comment on and then along with some sort of very brief history of how we got here.

Bart Boswinkel:

And given the ICANN meeting is in November if we would push this out or reach agreement with the finance working group around 30 September that would give us enough time to finalize it by Buenos Aires and explain it once more at the meeting and send it up for adoption to the council.

Byron Holland:

Okay. That makes sense with the working group. That timeline is achievable. I think it will be two years since we started. Okay. We don't want to rush into anything.

Bart Boswinkel:

We've done the PDP for six years.

Byron Holland:

We've had a blistering pace in comparison. Are there any other comments? Final thoughts? Lesley?

Lesley Cowley:

It's been much longer than two years. If you go back to when we first got the financial information, to labor the point, it would be useful to retrace some of that for people. So, we couldn't make much progress until we had the requested financial data that we were waiting for for some considerable time and gone on to directors and so on. I think that's part of the story, part of the narrative.

Byron Holland: Agreed.

Mary Uduma: In addition to what Lesley said, I think when the strategic plan and information plans were made, they were based on adjustments that we were presenting as a long-term financial strategy.

Byron Holland: Thanks. Any final comments? 2.44. Give you back 15 minutes of your day. With that I will adjourn the finance working group meeting. Thank you very much. I think we're very close to finding a right path. Thank you very much.

Bart Boswinkel: Thanks, Byron. Bye, everyone.

Byron Holland: Thanks for being on the call. I know it's tough to be on a call with no documents in front of you. I appreciate it.

Bart Boswinkel: Nice job, Byron.