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MARRAKECH – Joint Meeting of the ICANN Board & Contracted Party House (Rg & Rr)

Tuesday, March 08, 2016 – 15:15 to 16:45 WET

ICANN55 | Marrakech, Morocco

STEVE CROCKER: All right. Let's get started, everybody.

So this is listed as a joint meeting between the board and the contracted parties house, but I don't think it's a contracted party. It seems like an expanded party to me. Ha, ha, ha. Well, that didn't work. Maybe we should get on with some business.

[ Applause ]

[ Laughter ]

STEVE CROCKER: The standard intro is that we try to use these sessions for some substantive and direct interaction, dispense with the niceties and formalities about how everybody's happy to see each other, which we are, and get on to something that makes it worth our time, all of our time, to have -- to be here and have this discussion.

So with that, I'll turn the floor over to Paul and take it away.

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PAUL DIAZ: Thank you, Steve. It's Paul Diaz for the registry stakeholder group.

Just to be clear on the procedure, are we alternating questions, since both contracted parties and the board have shared questions with one another, or do you prefer that we run through our list and then we'll get to --

STEVE CROCKER: It's up to you.

PAUL DIAZ: Okay.

STEVE CROCKER: And generally, we've -- our pattern has been to come and listen and for you to have the agenda.

This time, we tossed in a couple of questions of our own, but this is really your meeting. Run it any way you want.

PAUL DIAZ: Understood. Okay. Well, let me introduce our first topic that we have on the screen -- terrific -- for everybody to see, and I'm going to try and do this very -- very carefully, because both groups on their own throughout the day and then together had a

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lot of discussion, a lot of really good discussion, about how to address these issues and whatnot.

We're really looking for -- forward to a good exchange with the board, and we've asked other colleagues to step up at the table here or at the mics in the back because there's a whole bunch of subthemes, if you will, and I think you'll see how they all kind of fit together as we go through.

So the questions that we put to the board, what you see on the screen here, are necessarily linked and kind of flow one from the other.

Our first question was, you know, the board's view of the strategic priorities for ICANN.

Yes, there is a strategic plan, but we're really interested in exploring with board members present today their views on what the priorities are for ICANN. And let's talk about the near term. Maybe the next three years.

Such a time frame lends itself to the second question that you see there, objectives that you're setting for the new CEO. So if Goran is still in the room -- I'm not sure if he's still -- wonderful. So --

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STEVE CROCKER: You've gone right where I was going to go, which was to tie those two questions together and ask Goran to stand up so that people can see our next --

PAUL DIAZ: Our next leader.

STEVE CROCKER: -- next leader.  
Goran, you want to stand up and --

PAUL DIAZ: Yeah.

STEVE CROCKER: Yeah. So happy to introduce, yet again, Goran Marby. And the plan is that he will join us on our payroll next month, but not have to formally take up the duties and responsibilities of CEO until late May. So he's going to be an intern for a while.

And Akram Atallah starts this weekend as interim CEO and will carry us through, as he did before. We've taken to calling him Mr. Stability.

So taking these two questions, we have a dual conversation underway, which is tasking and discussing and organizing the

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relationship with our future CEO and at the same time talking about strategic priorities.

We have a bunch of board members here. Each of us could give you distinct answers, but I'm going to toss the question over to both Bruce and Cherine to speak to the strategic priorities, and then I'll try to sort out the differences between the answers that they give you.

Why don't you start, Cherine.

CHERINE CHALABY:

Okay. So let's start the conversation with the transition itself.

So we've gone through the last two years in designing a new governance model. We're just about hopefully to approve it on Friday -- on Thursday, and then we'll go through a period of developing the bylaws and doing some implementation work.

But truly, the next two years after that is testing this model. It's going to really -- going to put new methods of working on all of us. How the board behaves, how the community behaves, how these powers are exercised, what level of transparency, what level of accountability. This is not going to be plain sailing. It's almost like we've designed a new car and now we're going to road test it, and we'll have to learn how to -- how to live with this new model and adjust, all of us.

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So I think one of the priorities of the board is the board to recognize that it cannot continue as it was in the past. It will have to adjust and will have to do different things.

And that -- that's going to be a really important priority for us to understand there's a new world and we have to do things differently in that new world. So that's -- to me, that will be probably one of the most important priorities we have, going forward.

Bruce, you want to...

BRUCE TONKIN:

I mean, I think I'd -- luckily we actually publish a strategic plan, so we can actually go to the Web site and find our strategic priorities. They're basically there.

But I think, you know, just things that are coming up, obviously in the short term I know, you know, we just had a session with the Security and Stability Committee and they're recommending that we proceed with a key rollover.

We've got a lot of new registries and registrars, and so I think, you know, part of the globalization of the offices, you know, introducing offices close to where the new concentrations of registries and registrars are.

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So basically, I think in addition to working on some of the governance stuff, we also need to work on operational excellence. And that's on both the technical side and also, you know, providing services to the registry/registrar community as well.

But, you know, as I say, have a look at our Web site. The strategic plan is there.

STEVE CROCKER:

Thank you. There's an interesting interplay between strategy and tactics. Quite a bit of what I think is going to happen over the next couple of years is going to be focused on tightening and smoothing and making things work in more predictable ways, more transparent ways, and one could look at that, as I say, both from a strategic and from a tactical perspective.

Each one of the changes will be small. The collection of them will be driven by trying to sort of adjust -- I don't want to say "recast." It's not a big departure. But the effect will feel different, I believe.

And the -- you know, as was mentioned, we've been involved in a very intense process over the past couple of years looking at our governance models and so forth.

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My perspective is that quite a lot of what's being said and what the focus is on is -- has missed, in some sense, or hasn't included some of the interior of how things have actually worked. There will be subtle and not-so-subtle changes based -- after the transition that have not yet come to light, may not actually come to light explicitly, but I can tell you from where I've been sitting, I can see the impact of the interaction with the government, not all of which has been in the sense of the government's protected us or protected the community. It's the government's doing things in the way that it predictively would do things.

And when that stops, other things will happen which may be much more positive, more visible. You know, there's a lot of hidden things that will stop being hidden or just stop existing.

So I'm expecting, as I say, to knit together a set of adjustments to the way we operate, to the way we engage with the community, to the way the community engages with us, and if we have this conversation in, say, two years' time -- two years, I'll be gone, but, you know, two or three years, whenever, I think that it will feel very different. And we've just given the marching orders to our new CEO hereby.

Cherine?



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CHERINE CHALABY: So Bruce mentioned the strategic plans and the priorities there. I mentioned the transition. And I think also cost is going to be an important point going forward.

We need to get a good handle of how the marketplace is going to behave, whether revenues are going to tail up or not, and how we're going to manage costs and be -- and be very frugal over the next few years in how to make sure that our costs -- you know, we spend according to our means as an organization.

And I see you have a topic, Point 3, so we'll get to that later on, but that's an important thing that we need to put as a priority for us as an organization.

PAUL DIAZ: Okay. Thank you all.

Is it possible to get a -- sort of a foreshadowing of the governance changes that you guys are alluding to operationally and what the board is expecting to do differently? What we might start seeing and feeling differently in our interactions with --

STEVE CROCKER: No, I don't --

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PAUL DIAZ: -- the board and --

STEVE CROCKER: -- I don't think we have a detailed list that we're holding back on, but I mean, most everything is out in public but I'll just share, again, from a personal perspective.

One of the things that I've tried to focus on over the time that I've been chair is streamlining our board meetings so that they're not tedious, extended, so they're more efficient and we just get the work done.

An unintended consequence is that it has seemed to be less visible to people what we do.

I think that's a very reasonable concern. Most of what we do doesn't happen in our formal board meetings, and so it's a more complex challenge of how do you unpack the committee work and the informational calls and the other kind of interactions that we have and also demystify, because a lot of stuff that people worry about what happens at the board level doesn't actually happen at the board level at all.

So that's the kind of thing that I was alluding to, if that's your question.

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Is there a detailed plan or a list of the things beyond that?  
Nope. Not yet. We'll get there.

I mean, like everybody else, we're 100% focused on the massive amount of work necessary just to execute and move through this transition process.

The -- everybody's expecting, and we certainly are expecting and hoping, that we'll have proposals in hand and on Thursday we'll be in a position of accepting those proposals and committing to moving those quickly to the U.S. government.

But that immediately then triggers the next steps. So the U.S. government goes off in one direction to think about it and we start working on the implementation, the drafting of the bylaws and other implementation details, and that will take up a chunk of time. Hopefully not too long, because that's got to be very fast-paced.

And then the rest of the implementation process, when the government comes back, as we hope they will, in 90 days and says, "Okay, we're there," and then there's still more implementation.

And then there's this minor matter of Work Stream 2.

And then there's the question of how do we manage the costs, which have been enormous, going forward.

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So all of that is quite visible out in public. Everybody's seen all that.

And then meanwhile, we still have a job to do. I mean, all of that is kind of an overlay on actually getting the day-to-day work done on behalf of everybody and particularly on behalf of the contracted parties house. I'm not complaining. I'm just sort of giving a picture of what life looks like from where we're sitting.

PAUL DIAZ:

Okay. This probably dovetails very nicely with the second bullet point, objectives for the CEO. An since Akram in particular will be our interim CEO, you've alluded to efficiencies and desire to operate differently. It would help us to understand what objectives are being set for senior management in running ICANN, the corporation.

STEVE CROCKER:

Well, as I say, we don't have any more detailed kinds of things to say.

But one of the -- one piece of this puzzle is to take that question and turn it around during the period that is about to start effectively, is to open the channel and say, Where are the pain points from where you're sitting? And actually I know there are pain points. I hear about them.

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So one piece of the onboarding process for Goran is to expose him, subject him, have him -- have direct contact. And, you know, the good news is that he's quite eager to do this. And I think that will be very healthy. And I think he's strong enough to survive the experience and still come back to work. So we're looking forward to that, frankly.

PAUL DIAZ:

Yes, I definitely don't want to monopolize the time.

So, Jonathan?

JONATHAN ROBINSON:

Sure. We discussed this a little so we can give you, Steve and board colleagues, a little bit more input. Clearly, we see ourselves as being very much in a partnership with you that's vital to your business as much as it is to ours. And so our -- I mean, we can come back to you with specifics, and it's very useful that you have this. We talked about this in general terms, but it's already very welcome that you say you would like some specific input.

Certainly, we'd like to build on what we have and see that particularly strengthened at the board and CEO level. So that's a great opportunity because as you will know, we are critically

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dependent on the effective working of ICANN and the functioning of ICANN's operational systems.

And the fact that the GDD was created under Fadi's tenure has certainly been a welcomed development, and we rely on the GDD for service delivery and development. But -- and I guess we're encouraged by what we've heard.

We have a GDD Summit coming up in Amsterdam, as you know, in May where the contracted parties will specifically get together and talk less about policy and more about issues that concern us specifically with the operations of our business. And I think we understand that you either located or relocated your board meeting nearby and may well be able to have one or more of you participate, possibly also Goran. So if that is a possibility, that's a very welcomed and encouraging start. And we'd encourage you to take advantage and spend some of that time at least with us there.

Clearly, the whole multistakeholder model is vital for ICANN. But we also have a unique relationship with ICANN, the contractual relationship. And so I guess the advent of a new CEO in terms of thinking about those priorities gives an opportunity. It's very timely to sort of reinvoke you to have a specific and direct dialogue and engagement with the contracted parties house and to have an appropriate level of focus on our

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businesses which, you know, frankly keep the trains running in the DNS. And we need to rely on you to be a predictable, reliable partner and would like to work with you to achieve that. So it's timely and it's great to talk about that in the context of objectives for a new CEO, who I've had the pleasure of meeting.

MICHELE NEYLON: Goran?

GORAN MARBY: This is Goran. This is the first promise I will make. I will be in Amsterdam, and I will stay on.

[ Applause ]

It is so easy to get an applause here.

[ Laughter ]

You're in the honeymoon.

MICHELE NEYLON: Don't get used to it, Goran.

STEVE CROCKER: The question has come up, we're having -- the board is going to have a retreat in Amsterdam just prior to the Global Domains

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Division Summit. And the question is: Why did we arrange that and not, for example, adjacent to other things? It was consummate bad planning that just accidentally worked out that way, not by major design.

I won't go into all the details, but it wasn't high purpose. It wasn't deep thinking. It was a combination of circumstances.

Given that, we can use that as an input to future plans for what we do and how we do it. And I think that would be -- I don't have enough data to know what makes sense, but we may be able to do something relevant in the future.

But in any case, we have this situation where the board will be meeting in Amsterdam just prior to the Global Domains Division Summit. And we'll do what we can to make that a positive and constructive experience.

MICHELE NEYLON: Bob, go ahead.

ROB HALL: Steve, I have to take a little issue with that. I am disappointed, I guess, to hear that it's bad planning that's being blamed. Our community had certainly hoped that this was a step towards the future of engaging and great planning.



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So I would encourage more interaction between the registries, registrars, and certainly the board. It doesn't have to be exclusive to us. If you want to plan a board meeting -- I know Fadi has attended other -- the other houses' meetings and that type of thing. But I think more interaction is a good thing, not less. So I'm kind of sad, I guess, to hear that it was bad planning.

STEVE CROCKER:

Let me say what I was trying to say before. This circumstance was serendipitous, if you will. It wasn't planned. It's not a bad outcome -- it's a good outcome, but it was through accidental forces. And we now understand that that's a good thing, and we will use that in a purposeful way next time as opposed to it just happening.

MICHELE NEYLON:

Stephane.

STEPHANE van GELDER:

Whilst we are on the subject of partnerships that Jonathan alluded to, as you know, you will soon have a new board member because Bruce's term is up and he will be leaving the board after nine years.

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I think, first of all, we should all congratulate Bruce for his efforts during those nine years.

[ Applause ]

And, secondly, I would encourage you to treat whomever we send you as an incoming board member as a partner as well.

MICHELE NEYLON: Be gentle on them. They're very delicate.

STEVE CROCKER: Let me counsel you to --

(off microphone).

[ Laughter ]

STEVE CROCKER: With respect to Bruce, let me counsel you to be measured. He's got two more meetings to go. So we got to stretch this out a bit.

MICHELE NEYLON: He's been there so long we thought we would have to start saying good-bye to him early and just make sure that he actually goes.

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No. Jokes aside, we have -- we're currently going through a process within the contracted party house to select the new -- our new representative to the board and. This is a process that we're taking very seriously.

We have some very fine, very experienced candidates who have put themselves forward for that role. We hope to be able to let you all know who we have chosen in the next few weeks.

And, hopefully, they will be able to fill Bruce's shoes adequately as he has held that post over the last nine years. And we thank him for that.

PAUL DIAZ:

I'm not really sure where this is going. We did get through what I expected was going to take a lot longer.

From the audience, do we want to pivot and take on the question about diversity which generated quite a lot of discussion? Or what more to do here?

Sure, let's come back to it. So fair point, Rob.

The third point that we had originally put forward, the intention was not to be adversarial, confrontational, but it gets at a long-running concern that the contracted parties have about budget planning and expenses.

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And, Cherine, you talked to -- alluded to changes that are coming. We certainly experienced some improvement in the planning process, getting more information and information sooner rather than later. But there is still questions and concerns about where ICANN's investing its resources, the rationale behind that. Sometimes the rationales are opaque. And as part of the string of three questions, the board's strategic priorities, what they expect of the incoming CEO, tying all those together, effectively what's the plan when it comes to the finances?

CHERINE CHALABY:

So let me try and understand the -- that last topic a bit more, so we have a dialogue on it.

I'm interpreting this -- and tell me if I'm interpreting this wrong - - that you have a concern that over time the ICANN expenses grow faster than the revenue. That's one thing.

The second concern would be that not enough rationale is being given to various expenditure. Is that right? Yeah?

And then the third concern is if expenses -- and I'm guessing here. If expenses far exceeds our revenue over time, money has to -- new money has to come in. And the last thing you want is

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for ICANN to go back to you and ask for more fees. Is that what -- is that what it is? Yeah? Okay.

ROB HALL:

Sorry. The way it is set up is you set a budget and then you take from us whatever you need.

So I think your third point is probably the most -- your revenue will always match your expenses by definition of what's in our contracts because you just raise the registrars' fees. So I think that's the concern, is the amount of the budget is where to start.

CHERINE CHALABY:

Okay. Let's go back. What are the things we're doing to ensure that this situation doesn't happen?

So the first thing we're doing is we always try and ensure -- and this is a directive from the Board Finance Committee -- that the expenses in any particular year, any budget, cannot exceed in any way or form the projected revenues, right? That is very important.

We have to live within our own means. I'm putting together aside the rationale and so on and so forth.

So a good example of this year, if you see the budget that's been published, right, there isn't -- there isn't an extra cent more that

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we would spend on expenses that exceeds the revenue. And that is something that the finance team and our CFO takes to heart.

It's quite difficult because all the departments and everybody wants more money, wants to expand. But the answer is no. We have to live within our mean, and we have to control that. So that's one action we're taking.

The other action we're taking is we -- within the budget, we put a limit on department expenses. We don't say this is an open-ended thing. So for every year, there is a limit. And we actually shrink a little bit the expenditure to allow us to have some contingency in the budget. At the moment, it's actually not a big contingency, about 5%, to cope with any unexpected project that may come our way throughout the year and we're able to deal with it to a certain extent. So we put a cap on the department budgets, and they have to live within those means. That's the second point we do.

The third point, we keep track and do corrective action. I'm going to give you an example. In FY15, after the budget was approved in June, around about September -- August, September, we produced forecasts. We realized that the revenue for that year is likely to drop by about 10 million. So we spoke with management and the management took it upon

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them and they went around trimming costs everywhere. And they trimmed costs by 12 million, more than the revenue shortfall in order to ensure that we don't enter into a loss situation at the end of the year.

There is tracking and correction and a little bit of flexibility. But I think Fadi and his team and the management were really very, very strict on cutting out costs to make sure that we -- you know, we meet that shortfall in the revenue.

And then the next thing is what do we do collectively throughout the year not to deviate from the budget and not to come up with new initiatives halfway through the year where we -- you know, the budget cannot take -- cannot fund it.

So if you look at the last two years, for example, we had the situation where we had to fund the transition, everything, out of our reserve fund, right? That has been depleted. But that's a unique thing. We're not going to have a transition every year for the rest of our lives. That came as a unique thing. We dealt with it. And you heard all the discussion with the SO and AC leaders about managing costs going forward and producing reliable estimates. So, there is, I think, a new joint world in the community to address that cost issue going forward so that we don't -- we don't embark on projects which are very sizable

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without knowing what the cost is going to be and how we're going to manage it going forward.

So those are the four or five things that should give you some reassurance that, you know, we are -- we have to be frugal, and we can't spend more than what we make without raising the fees.

That's the point.

MICHELE NEYLON: Thanks, Cherine. I think that's very helpful. We wanted to move on to talk about the diversity issue which is a question you had for us because this is one that generated a lot of discussion both within -- in both groups. Paul, do you want to lead that off?

PAUL DIAZ: So for the diversity -- wait. We're good? Okay. For the diversity issue, we're actually going to pivot. I wasn't going to introduce.

MICHELE NEYLON: Darcy or Reg? Reg.

REG LEVY: Yeah, thanks. Thank you for this question. We're very pleased to be able to comment on this.



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On behalf of the registry stakeholder group I'd like to express that we represent 90 people, 90 members from around the world and that our membership pretty much exactly tracks the number and percentages -- sorry, not the number. The percentages of the 1,930 applications that we saw in the new gTLD round.

Unfortunately our membership and the diversity that it represents is limited by the fact that our members are registries. And they have to be registries first before they can be members.

So I think most of us agree that there was less-than-hoped-for participation in the most recent new gTLD round from the global south, and part of a way to increase diversity, at least among the registry stakeholders group, would be to make sure that the process for the next round proceeds in a timely manner and that it encourages participation from a broad range of applicants.

I'm now going to turn it over to Samantha for another comment.

SAMANTHA DEMETRIOU: Thanks, again. Thanks, Reg. I just wanted to take a moment to inform the board a bit about some of the internal efforts we're undertaking within the Registry Stakeholder Group to ensure that despite having a limited universe of potential members that we are reaching out to everyone and trying to get as much

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diversity within our ranks as possible. So I'd like to recognize our support staff, Sue and Sherry, who work very diligently to make sure that every new registry, once they sign a Registry Agreement with ICANN, receives information about the Registry Stakeholder Group, the benefits of participating, and, you know, how to get involved. They have also done some really great work to make our Web site a lot more accessible. And a little bit more user friendly to newcomers, which I think has been tremendously helpful.

Until this meeting we, as part of our travel funding from ICANN, had five travel slots for our stakeholder group and two additional slots that had a requirement tied to them that the -- the participant had to meet the fellowship requirements as in they had to hail from a country on the fellowship list. We have submitted a request to ICANN as a secondary budget request to remove those restrictions from the remaining two travel slots. So we have -- we work within our own stakeholder group to ensure that those slots get allocated to people who otherwise would be unable to attend. And we make sure that it's not the same individuals getting the funding all the time, that it's people who are coming from different areas outside of, you know, the standard North American, Western Europe areas.

So in answer to the question of what can the board and what can ICANN do to help support us in that endeavor is make sure, if

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you will, please approve that budget request and do what you can to make sure that we can allocate those funds to more individuals to get more participation across our stakeholder group.

I'd also, if -- do you want to do a question first or do you want to go to the registrars first? Then I'll turn it to Darcy from the registrars.

DARCY SOUTHWELL:

Thank you. So on behalf of the registrar stakeholder group we recently completed a member survey, partly to look at our own diversity. We found that we represent registrars in 31 countries but there are ICANN accredited registrars in 68. So we definitely want to look at how we can reach out to those. English has been the -- you know, the predominant language of most of our registrars, but where we're lacking is in areas where English is not a primary language, mostly in APAC for us. And so we've done a lot of things this year to engage already with ICANN to do improvements in this area. They've helped us translate our membership brochure into the U.N. languages so that the ICANN staff can help utilize that to facilitate engagement for us with non-members in those regions.

We also had two travel slots under the fellowship guidelines which have been used by registrars from China and South Africa.

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So we're making strides, but we do need some more support. Travel support is part of that. We've also asked for the fellowship guidelines to be removed to allow for a number of other areas that maybe don't fall into that guideline, but we definitely could use participation from those areas.

And then also I think really it's the language barrier for the registrars. We are asking for assistance in the areas of translation, whether that's our charter, whether that's our public comments, key documents that would help facilitate the understanding of the ICANN community and what's going on within the ICANN community and how they can better participate. And then those could also be used by us as well as the ICANN staff, registrar liaisons, for example, who are working in those areas, and we can better communicate with each other. Jennifer.

JENNIFER STANDIFORD: So obviously my fellow peers have provided a lot of good information around what the contracted party house has done over the course of the last several years and the extra needs related to diversity and outreach. I think the GNSO is a prime example of diversity through geographic, race, and gender. I think we would -- we could obviously benefit by having greater understanding of the infrastructure that's in place. Dr. Crocker,

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you and I talked about this the other day regarding the engagement centers and understanding the KPIs and the return of investment we're receiving from them. Given all the outreach that each stakeholder group has done on their own without the support of these engagement centers, you know, we are very interested in understanding kind of what's going to be the direction of those engagement centers moving forward, how do they directly impact with outreach that will lead to additional engagement and community members to widen our reach in countries by race and by age.

REG LEVY: Thanks. I'm going to turn it over briefly to Stephane.

STEPHANE VAN GELDER: Thanks, Reg. Stephane speaking. One of the things the registries feel might help boost diversity, you know, you asked us the question, what can we do to help or what can ICANN do to help, and I think that's a question we were certainly keen to address.

We feel there's two areas, two communities that we speak to, the registrants and other businesses that maybe want to be contracted parties. And one way to boost that is to work on universal acceptance of all gTLDs obviously. Because that has a

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two-pronged effect. It helps -- you know, if you consider domain names as online identities, it helps boost that for more and more people, internet users worldwide, and bring more people into this -- not this community but at least the ability to have that online identity and claim it. It also helps boost diversity in the business sector as we bring more companies and more businesses, especially perhaps smaller businesses from underprivileged regions, into this industry. So we felt that those were two important points that we wanted to bring to your attention.

REG LEVY:

Thanks, Stephane. I have not forgotten about you. So again, we appreciate the question, and one of the concerns that we had when we were talking about how to answer it was whether or not there was a specific concern that caused this question. Did somebody come to the board with an issue that we can help better address in our answers and the queue actually starts with Lucky because he has one final comment and then you're next.

LUCKY MASILELA:

Thank you. I think as we were addressing the issue of diversity –

MICHELE NEYLON:

One second, could you state your name for the record, please?

LUCKY MASILELA:

I thought she had introduced me. Lucky Masilela from ZACR, South Africa. Yeah, if I want to go back, once we are addressing the issue of diversity, I think one of the critical things was to understand the underlying factors. And one, it is affordability and affordability to participate. What has become clear is that, you know, this matter -- issue borders around economies. Globally we have countries that transact on a one-to-one ratio, that is currency-wise, and then the other countries that do transact on 1 to 15, the exchange rate. And that on its own becomes an inhibitor. It creates problems to participate and to afford to participate.

An example for us in South Africa is that we transact our gTLDs in Rands, and the current rate of exchange of the Rand is 1 dollar is 15 Rands. So what it means is that the fees that we pay to ICANN are 15 times our operational expenses. It makes it difficult and very costly for us to participate. The matter we're being -- bringing forth here is not about paying or not paying. But it is just to lay bear the facts of affordability that also create the issues of diversity. They add to the complexity of diversity as we are trying to address the issues of diversity.

And I think this is a matter that we want ICANN, the board, to consider seriously. And again, it is not that we are not willing to

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pay or rather the issue is not to pay or to pay but how do we move this barrier of diversity which has its own complexities and manifestations. Thank you.

REG LEVY: Thank you, Lucky. Go ahead, Steve.

STEVE CROCKER: Thank you. Lucky, thank you very much because you've -- you've provided at least part of the answer to the question which I had in mind as I was listening to this which I want to take from a larger perspective.

Certainly from an ICANN perspective we've tried a number of things to be helpful in making the processes and facilities accessible and usable from large parts of the world. Some of these are undoubtedly helpful and some of them probably are good efforts but not -- have not made a big difference. I'll give you what I think are examples of both.

We've made use of our hub offices that -- spreading our headquarters around the world into three parts, to build a basis for writing contracts in local laws as opposed to everything coming back to U.S. law. I believe we have also arranged to transact in local currencies, but as Lucky said, there may be more to it than just simply doing the translation into currencies.



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May have to make some adjustments which are appropriate. We certainly have put a lot of effort into having linguistic capability so that we can interact all of our office procedures. We have an incredible range of skills.

In contrast, when we opened up the gTLD program several years ago, there was a rather hurried effort to try to provide subsidy for our developing countries and we had the -- I forget the initials.

(Off microphone.)

STEVE CROCKER: JAS. What did that stand for?

MICHELE NEYLON: Joint applicant support.

STEVE CROCKER: Joint applicant support. Thank you very much.

It's no secret that it didn't have a big impact. There were a very small number of applications.

And I'll just speak from my perspective without having -- without making this an official statement.

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The cost of setting up a new top-level domain registry includes many, many costs beyond the application fee to us, so it mattered not very much whether or not we dropped the application fee to zero, even. There still were a huge portion of the costs to be borne by whatever group was going to set them up.

And so that was a well-intentioned but not very effective effort on our part.

A different concern that I -- I don't know how it's actually played out is, there's a lot of incentive programs that we've seen in a lot of different areas. Certainly we can look -- my experience is mostly in the U.S. -- where there's specific set-asides for protected sets of classes of people. Minority, women, and so forth. And not uncommon to have those used by others and have some arrangement which amounts to fronting and just barely meeting the minimum legal constraint.

And in the context we're talking about here, the nightmare scenario from my point of view is that if we had reserves that said we will -- we insist on having a certain number of applications from certain regions or certain countries, is that those applications would come in, but if you peel back the layers, it would turn out perhaps that the money behind it is

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coming from the developed world and you have a form of colonialism being recreated.

So it's difficult. It's complicated to set these things up in a way that actually works.

So some things -- and I think Lucky's suggestion is an interesting one -- some things will work and other things ought to be thought through or tried and evaluated. And gathering that kind of information --

And there's no guarantee for success. I mean, we all take the position that it would be good to have registrars and registries from -- widely represented across the world. Not everybody will agree that that's the most important thing for a particular country or for a particular region, so I think its -- I think it's a substantive question to dig under the covers and look at what's really needed, what will really work, and to distinguish the effort that we put out versus the results that we get.

REG LEVY:

Thanks very much, Steve. I think then we may have successfully answered it.

Next in the queue is Rob.

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ROBERT HALL:

I want to talk about two things and give some color, first, and then talk about a different type of diversity.

I want to give some color to this fellowship travel issue because I don't think it's what you may expect. It's not about the geodiversity that others have been talking about.

So we have -- I'll give myself as an example. I'm currently a resident of Barbados, which is on this artificial list that includes fellowships. We have registrars based there. We also have a registry based in the Caymans which also happens to be on the list, along with Rightside and the new registry. However, this is my 50th meeting. It seems rather disingenuous of me or wrong somehow for me to say, "Give me that money."

So we've chosen not to take it. So it's not a matter of the registries not having people in those geographies. It's more a matter of the people that perhaps are in those geographies are well-funded and don't need it and we'd rather see it go to someone who might be in a geography that's not on the list artificially but needs the money to come to an ICANN and participate.

So I want to -- it's not just about us saying, "Get rid of the geographical restrictions on the list because we don't have people that fall there." It's actually the opposite. We have

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people that fall there that don't want it and would rather see it go to other people. So to give a little bit of color to that.

And then the other diversity I want to talk about is the registry constituency specifically and how it handles its practices and diversity in a different manner.

So we've talked about, you know, gender and geo, but there's also business style diversities, if you will. And I'm proud to say that I've watched the registry constituency over the years, in the last three years, and how it handled that. And so where other constituencies might have membership committees and they review your application to say "Are you going to fit in and do we want you," the registry constituency and the registrar one, actually, has no such thing. If you sign a contract with ICANN, you're welcome and you're in.

Then we tackled the "Well, wait a minute. We have different interests now. We have subgroups."

So when the applications, you know, came into existence, all of a sudden we had a whole group of applicants that didn't fit, necessarily, because they didn't have a contract with ICANN, and the registry constituency said, "We recognize this diversity and we'll create the end tag."

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Then the brand registries said, "Well, wait. We have different interests. Perhaps we could have a subgroup of that."

Now we have the geos doing the same thing. So I think -- you know, I wish other ICANN constituencies would kind of follow the registry constituency's lead and say, "Look, there are going to be a diversity in interests even within your group and how do you handle that?" And I think the registries have kind of set up a perfect model for that to say "We have very diverse interests even within our own stakeholder group from a business level."

REG LEVY: Thanks --

ROBERT HALL: I would also --

REG LEVY: Thanks, Rob. We have a queue and --

ROBERT HALL: Sorry. I --

REG LEVY: -- we need to --

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ROBERT HALL: -- I also have --

REG LEVY: -- move on.

ROBERT HALL: -- one other comment, thought, which is: We are innovators. Our products are also very diverse. And I think ICANN should do whatever it can to help the flow of innovation, as opposed to possibly restricting, on a time frame basis, release of the products.

Thank you.

REG LEVY: Thanks. I'll turn it over to the actual queue that has started.

JORDYN BUCHANAN: Sure. It's Jordyn Buchanan with Google.

So, Steve, I think you made an excellent point that the impediments to becoming a registry operator probably don't have very much to do with the cost of applying for the domain. There's all sorts of other, you know, infrastructure and costs that go into being a successful applicant for a new gTLD.

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But I guess I'll make the observation that that's not an inevitable state of affairs by any means.

I think there's a number of constraints that existed in the application process that made it challenging for applicants to apply, potentially, and that ICANN could help out with.

So like some easy examples of that would be like the continuing operational instrument, right? Like you have to pony up a bunch of money or get a line of credit, or something like that, in order to operate a registry.

For a company like Google, that's actually -- it's actually straightforward and cheaper for us to achieve that than for someone that's just starting a business or in an underserved region that doesn't have very good banking services, for example.

So that could be an example where maybe what ICANN wants to do is set aside some money to serve the function of the continuing operations instrument, in case a registry fails, and not necessarily put the burden of generating that instrument on applicants, at least from areas where it would be difficult to do so.

Another example would just be looking at the technical requirements for registry back ends. They're -- we look today as



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-- as -- at least the successful applicants, by and large, have to use very large existing registry infrastructure. There's a lot of questions that sort of imply that, you know, you've got to have a significant track record or success, you know, with -- with these platforms. And so as a result, you see almost all of the registry applications are running on a handful of platforms that generally were probably not necessarily affordable for people that were coming from throughout the world. Now, it could be that some of these back-end operators had, you know, programs that work for outreach, but that's another area where if ICANN actually went through the process of creating an accreditation model for registry back-ends, it could then also create some sort of incentive, perhaps, for those back-ends in order to help, you know, subsidize the costs of the operations.

So I think there's a variety of things ICANN could do that would make it easier and more accessible for these applicants to overcome these other hurdles. Those largely exist as a result of the application process and the contract, not necessarily an inevitable state of affairs for every registry operator that needs -- that could come into existence.

STEVE CROCKER: Very quick follow-up question.

Very, very good points.

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Are these points included in our competition, consumer choice, and so forth study that is underway, that's just kicked off?

JORDYN BUCHANAN: So I didn't want to ramble on too much but I'm actually one of the GNSO representatives on the CCTRT review, and yes, the AoC asks the CCTRT to look at the application process as part of its charter, and within the group itself we've already determined to take a look at the facts -- at what were the impediments for participation by areas -- by applicants from underserved areas.

STEVE CROCKER: So let me encourage you to do what I think you're aiming to do, but to really nail those points, get them documented, put the facts on the table, and make it compelling, because I think that would be enormously helpful.

JORDYN BUCHANAN: Sure.

STEVE CROCKER: Go forth.

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JORDYN BUCHANAN: I'll certainly carry your exhortation back to the rest of the review team.

EDMON CHUNG: Edmon Chung here. Three items I wanted to build up on.

One is in response to, Steve, your -- in a way, I think it's a little bit premature to say that the financial assistance program did not work at all. It probably -- there are technical reasons why this time it didn't work, both on the schedule on, you know, how it's brought out, on the outreach, and all those kind of things.

In fact, in one of the youth programs that is a precursor to the current next gen ICANN, they were tasked to talk specifically about that issue and came up with a bunch of very good suggestions to -- to improve that program, to make that program work.

So I don't think we need to -- I don't think we should throw that completely away. I think there should be some review about it, and for -- and that could help future rounds and future diversity. That's number one.

Then number two, I think the issue on the -- the bringing up of universal acceptance is very good because this helps us do a continuous kind of outreach, not only for new gTLDs but also for new ccTLDs, IDN ccTLDs in particular, but also to get

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participation into ICANN because that might be the first thing end users or a lot of the developers and ISPs know about ICANN and understand -- can understand the issue, and then come to participate at ICANN.

So I think that's a good idea.

Number three, in terms of diversity, actually the GNSO and actually the registry constituencies, one of the Westlake report review suggestions on improving the cultural diversity is very difficult to implement, but actually a group from the APAC hub, supported by the APAC hub, the Asia-Pacific space, is actually trying to look at potential -- providing some potential concrete suggestions on how we could look at basically not just geographical diversity but also cultural diversity in people participating not at -- not only in the council but also at working groups and stuff. So those are the three comments.

REG LEVY: Thank you, Edmon. Go ahead, Stephane.

STEPHANE VAN GELDER: Thanks, Reg. Stephane speaking.

So I want to make just two personal comments.

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On -- Rob -- I think Rob made -- Rob used the word "innovation." I think that's very important, as, you know, you are speaking to the contracted parties house, as we try to offer innovative products and to use the new gTLD program to do that, to use the opportunities that we have to reach out to new businesses around the world, be they registries or registrars to do that.

We, as ICANN, also have to make sure that there's an even playing field for everyone, and that includes looking at fees, that includes looking at contractual complexities, that includes looking at languages. I know ICANN's done so much work under Fadi to have offices, you know, spring up in various areas around the world, but I would say that as businesses, if you -- you know, speaking for myself as a French businessman, it's not that easy to deal with ICANN on a contractual basis, and speaking for myself as a small registry operator, there are hurdles there as well that ICANN could look at.

The other thing that I think, you know, going wider than just the contracted parties house and looking at the whole community, and to your question of, you know, how can we help diversity -- and I suppose I shouldn't be saying this, but one of the things we could try and look at is to ensure we have speaker diversity, because I can't help but notice that, you know, as usual, it's -- it's the same people speaking to this and it's probably, once again, something to do with language sensitivity. Obviously

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personality as well. It helps not to be shy if you want to stand up at the mic. But I think those -- you know, when I'm speaking to -- if I put my other hat on as someone from the NomCom, when you're speaking to outsiders, this really is so -- still such a daunting environment for anyone to participate. We just don't have the diversity there. We just have the usual suspects. Thanks.

REG LEVY:

Thanks, Stephane. I have an empty queue.

Does anybody else want to weigh in on this?

MICHELE NEYLON:

It's Michele. I'll put myself in very, very briefly.

Just on the entire, you know, diversity question, I think it's a very interesting one.

As we mentioned, both stakeholder groups, you know, we have a certain degree of diversity, but there are a lot of challenges, and one of them, I think, is one that was mentioned in passing but I'd like to just bring back again as something that is very, very important. And that's the one of language. It's not simply a question of translating from English into other languages.

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It's also a question of how you present ideas, the choice of language, the choice of words, providing context. It's very often the case that ICANN documents are put out that could have a very large, broad impact on many parts of the ecosystem. But the language that's used to describe that isn't that accessible. It's not clear why it would matter to a particular stakeholder, why a registrar, registry, technical operator, or other entity might be interested.

I mean, there are people here in Marrakech for whom this is their first ICANN meeting. It's great to see them. But do we really want to scare them away? Would you like to see them at future ICANN meetings?

The other evening I was talking to some of the Moroccans, and they are saying they had gone into a couple of sessions. And it was so abstracted and so academic and so far away from the day-to-day digital economy-type issues and questions that they're dealing with, they found it very, very hard to engage.

And for those of us -- I attend three ICANN meetings a year because I happen to own a very large stake in the company that I run, so I can pretty much sign my own expense reports. But we're not a multibillion dollar corporation. I've chosen to do it.

There are a lot of small registrars and smaller registries who don't have the financial resources or who don't have the staffing

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resources to engage. It's the same across other parts of the community.

So if diversity is something that ICANN as an entire organization wants to deal with, it needs to look at it on multiple levels.

I think language and the choice of wording is one that should receive proper attention and focus. That's just my personal opinion, not speaking on behalf of the registrars but just my own personal view. Thanks.

REG LEVY: Thank you, Michele.

DONNA AUSTIN: Donna Austin from NeuStar. One of the inhibitors to diversity when it comes down to a working group where we conduct a lot of business on teleconferences is time zones. The GNSO is kicking off two policy development processes that will go for probably a two-year period. NeuStar has an office in Melbourne. One of my colleagues has participated in, I think, probably nine or ten conference calls so far for that group at 3:00 a.m., at 3:00 a.m., at 3:00 a.m., at 2:00 p.m., at 3:00 a.m., at 3:00 a.m., at 3:00 a.m., at 2:00 p.m.



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Now, it's not sustainable but it's a problem we have. And the consequence is that you will lose people from those working groups over time.

So I think we need to find a way that we can make sure that we don't lose those people that are in time zones that don't work for North America and Europe.

And if I could just make one small plug for Meeting B, which I would like to reframe as "policy summit," that that is an opportunity to get everybody in a room together to discuss a policy topic that won't be -- you know, the time zones should not be a problem. Thanks.

REG LEVY: Thank you, Donna.

Go ahead, James.

JAMES BLADEL: Thanks. James Bladel speaking. I just want to echo and amplify Donna's last comment about time zones. And just put out there one of the new procedures that we've adopted in the GNSO, because we have a number of councillors now operating out of Australia, eastern and western, and Singapore that we have tried to compress into two particular time zones. And we've created a

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really nice chart and it works. And I would suggest that, you know, the -- that the other working groups could adopt a similar method. And we would be happy to share that chart.

What it boils down is it's rotating meetings. Everyone knows when their time is up to wake up in the middle of the night. But for the most part, everyone shares the burden and it works -- or it seems to have worked thus far fairly well. And I think that this is just -- as another dimension of diversity, this time zone diversity issue is a barrier to participation. We found a way to at least cope with it.

MICHELE NEYLON:

Michele. Just making one little interjection.

I'm involved in various more technical working groups within RIPE and elsewhere. And there are no phone calls. There are no conference calls. There are no meetings. It's all mostly done via email.

This is one of the things sometimes I find a little bit curious as well as a lot of the time you're discussing text. But it's become a case in some cases that there seems to be this overwhelming burning desire to have lots and lots of meetings rather than actually addressing and discussing some of these points via email.

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But the time zone thing, again, is an issue for everybody. I know from speaking to other -- to registrar colleagues and others that being able to carve out that time in the middle of the day, the morning, the night, or the middle of the night can be quite a bit of a challenge. I will hand it back to you. Reg.

REG LEVY: Thanks, Michele. I have an empty queue again.

And I'll hand it back to Paul for the rest of this.

ERIKA MANN: So I have a question to you actually all. I saw there was an exchange about the SpamHaus -- what the SpamHaus presented about the world's worst top-level domains.

Now, I looked at this and I read it. I read their previous one as well. So I wonder if you could give us a little bit more insight, insight in the sense, first of all, is this correct? So is this something we have to take seriously? I did some investigations, spoke to our folks and they said yes, it is.

The second, the methodology they use, is this a methodology you would subscribe to? Or would you say maybe a different methodology is more appropriate to understand what's actually going on?

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I spoke to Akram and to David, and now both are looking into it and probably even more from the staff side.

PAUL DIAZ: Is somebody prepared to talk about this because I have not reviewed the report. Rubens.

RUBENS KUHL: Rubens Kuhl, registry stakeholder group. Their methodology is somewhat limited to one specific abuse factor, which is spam. Some people wouldn't consider that abuse since it's not -- it's including lawful in many jurisdictions but unlawful in some others.

So that report sounded to me somewhat limited in scope because SpamHaus, as their name says only looks at spam. So for them it's their universe. But from the domain district, it might be somewhat limited.

But inside that specific issue which is spam, that list mostly correlates to TLDs with low prices. So that's a known phenomenon that not only applies to gTLDs but looks to ccTLDs with free registrations or cheap registrations, that also happens. So that somehow correlates to what is seen in the wild but is a very narrow vision of the industry.

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MICHELE NEYLON: I can speak to -- Rob, would you like to go first? No, no.

ROBERT HALL: So to answer your question, I just took a quick look at it. I hadn't looked at it previously. And I have a couple of comments under methodology. So, one, first, certainly it is dealing with spam, not anything else.

The problem I think is they publish percentages for who is the worst. So I just quickly looked at the top two, .REVIEW and .DIET.

.DIET has only 43 registrations. So to say they are second worst because 70% of their registrations are bad isn't really giving a clear picture of what's going on. I would bet there's far more spam coming from domains in legacy TLDs as opposed to the 20 or so .DIETs.

I suspect they have done this to make it inflammatory, "Oh, my God, 70 some percent are bad." But .REVIEW only has 140, I think it was, registrations. These are not huge quantities of problems.

It may be they have given them away to try and jump start their TLD. It may be a pricing issue, as some been alluded to. But it's not about what their standard price is but may be how they are trying to promote it and they got it wrong.

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I noticed XYZ is not on the list as the cheapest because they do a great job of trying to mitigate this. But their percentage would be fairly low because they have a couple million domains.

When you are looking at stats like this, I caution you to kind of look at some of the data behind it, not just the simple percentages and the inflammatory red versus yellow and that type of thing.

MICHELE NEYLON:

Michele speaking. I just want to make a couple of quick points. First off, we work very -- my own company works quite closely with SpamHaus on a number of things. And I would generally tend to personally take a particularly dim view of DNS abuse.

As others have mentioned, the methodology that they are using is a bit limited. There are certain indicators of types of abuse that you tend to see around lower-priced domains. Other things, like if you're seeing, for example, that there's a huge issue of spam with GoDaddy based on the fact that GoDaddy have a ton of domains, if you are just looking at pure numbers, then obviously they do have a huge problem but they don't. It's tiny.

It's the same thing if we are looking at, say, a zone that only has a few names in it. It's not a huge problem necessarily.

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So I think the methodology that they're using may be something that may need to be looked at a bit further. I wouldn't say categorically personally that I'm saying this is wrong. But I would say we need to talk to SpamHaus potentially and find out what are they basing this on, what are they hoping to achieve because within industry, several of the people at this table and several of the people in this room, we've been involved in a number of initiatives over the last few months and years trying to mitigate DNS abuse. It's not in the interest of any of us to do bad business, as it were.

So if -- I'm not sure exactly what you were looking for, Erika. But I don't think any of us really wants to help anybody do anything nasty.

Jeff.

JEFF NEUMAN:

This is Jeff Neuman speaking personally. I think if you look at that list, I think you'll find that many of the ones on the list, if not all of the top ten, are by the same parent company. So I think that is something that should be taken into account.

Rob, there are more registrations than -- I think you said there are only 140. There are thousands of registrations in those TLDs. Hundreds of thousands of registrations in those TLDs.

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So I think this is something that the CCT is probably going to look at when they look at safeguards and other things. But I definitely think that there's -- it should be looked at in the reviews, and there may be problems there. But it's not in and of itself indicative of bad behavior in the industry as a whole there. There may be just, you know, one or a few players that are involved in that.

MICHELE NEYLON: Does that answer your question, Erika?

ERIKA MANN: Yes, I will continue to look into this. It would be great if we could cooperate together just so I understand it better. I got approached by some governments, so I would love for us to understand the issue from the board side as well as possible.

And if you have any points you would -- which you think you should send to us, just feel free to do it any time.

In particular, if you have a recommendation where you think ICANN should get involved, if there needs to be something done, safeguards or other points where you say something should be done, send it to me and I will distribute it to the rest of the colleagues and to staff.



MICHELE NEYLON:

Thanks, Erika. That's helpful.

Just one thing I did want to mention just in passing, because it has been a hot topic in our engagements with the board in the past, speaking on behalf of the registrars, previously we've had quite confrontational engagements with law enforcement who are now within the public safety working group. This week we had a meeting with them yesterday afternoon and the room was very, very full, possibly because people were expecting there to be fireworks.

I'm sorry to say we did not deliver. Under normal circumstances the failure to deliver would be seen as something negative. I think in this instance it's more of a positive. We're trying to be a little bit more collaborative and that's a joint effort from both ourselves and from the law enforcement community.

I might like to feed that back into you as it was a topic that has come up in the past.

I'm not sure if there's anything else.

Steve, do you have anything else?

Oh, the other thing was the last question -- the second question you asked us which we didn't leave any time to answer, for one

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very simple reason. We don't really have any feedback from having discussed this in both stakeholder groups. I believe that our councillors are happy with this. We are happy with this. Not sure if anybody else has anything else to add. Steve, over to you.

STEVE CROCKER: Nothing more from me. Bruce? Cherine? No, we're good.

ROB HALL: If we're done, maybe this is an appropriate time. I just want to say a little word about Fadi and his last meeting. I know he'll get lots of accolades later, but he came in -- is he gone? He's gone. No, he's here. Okay. I was on the registrar negotiating team for the registrar -- the RAA, the registrar agreement, and he walked in as a new CEO to a process that had been going on for a year and frankly was a hornet's nest. And within months he brought clarity to it and finalized it. And I just -- I think we as a community, both registries and registrars, say thank you because he got us through a difficult process right away. You know, one of his first days on the job he had to come to meetings with us that we were a group that had been meeting for a year on it. And I think it's appropriate for us to say thank you. And --

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STEVE CROCKER: And before we do that, what was the secret? Goran wants to know.

ROB HALL: Honestly, it was leadership, in a word. It was being able to make a decision and both being able to question the ICANN team to say well, why can't we do that and also push the registrar team to saying why can't you do that. This makes logical sense. So he came at it with a fresh voice saying -- you know, we were so mired in the weeds of policy and years of legacy, and he said well, that doesn't make sense. Why don't you just change? And he helped us realize we had to, but he also helped ICANN staff realize that just because you're entrenched in something over the years doesn't necessarily mean it's the way to go. So I think he brought clarity and leadership to it, and it literally turned and we were done in a matter of I think under two months actually. It was incredible leadership. And I'm happy to have more conversations with Goran about it. But certainly I think that should be recognized, and any accolades given to Fadi is -- he did our constituency a great service.

STEVE CROCKER: Well, on behalf of Fadi and the board, thank you.

[ Applause ]

MICHELE NEYLON: I think we're pretty much wrapped up here. Paul, do you have any final words?

STEVE CROCKER: Not use the entire budget, put it back in the reserve fund. Thank you all.

[ Applause ]

Another joke that didn't go anywhere.

**[END OF TRANSCRIPTION]**