

TRANSCRIPT

Finance Working Group Meeting Beijing

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Attendees:

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Keith Davidson, .nz
Chris Disspain, .au/ICANN Board
Byron Holland, .ca (Chair)
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ICANN Staff:

Bart Boswinkel
Xavier Calvez
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Byron Holland:

We're starting a couple of minutes late, but I know it's everybody's first time wandering around the halls of this facility, so it took a little bit to find the room. Anyway, welcome to the Finance Working Group's Sunday session. We have a fairly full agenda, but we have two hours, which is a little longer than normal, so I'm hoping we can get through the whole thing. We also have Xavier here who is going to be part of several of the agenda items, but not all of them.

So, I sent around the agenda for today's meeting and I do want to take a bit of chair's prerogative and reorder the first and the second agenda item, if that's okay with everybody. Any objections to that? No? Great, thank you.

So we'll start with just a quick overview setting the stage, because I think there's been somewhat of a shift in the tone from ICANN in terms of this overall in terms of this overall discussion. So I wanted to start with that, then we'll move into some more specific details around the shared contributions that Xavier's going to speak to.

And then I want to have a discussion in terms of the actual capacity of the communities to make financial contributions, because I think while there's the specific arithmetic and accounting for expenditures, there's also a parallel discussion to be had about what is the community's actual capacity to pay.

And then move into item 4, which is around what are the potential -- what might the distribution model look like, because there is two sides of this equation. What is the number and two, how are we going to distribute that number in a reasonable way amongst the ccTLD -- ccNSO community members?

And then finally, really talk about how might we message this? What are some of the tactics we're going to use to communicate this with the overall community in a way that helps other community members -- other communities understand how we've gotten to where we are right now and how it should be seen as a fair and equitable financial contribution to ICANN, given the unique nature of CCs. So those are the key agenda items.

With that, I'll move into what was formerly item number 2 and will now become item number 1. And that's just a brief overview of Fadi's comment as we've seen through his blog on ccTLD related issues, but in particular specific comments that he made around the financial contribution issue. And I think the reason that he took the opportunity to make them here is since he first started participating in this community back in Prague, but most certainly in Toronto, he has heard consistently, and I would say loud and clear, some of the messages that the CC community has been delivering on other subjects, but this one in particular. I think it's fair to say that he's taken a very different tact from his predecessor and that he believes that we add a very different value to the overall ICANN process than strictly a financial one or the kind of value perhaps that contracted parties bring.

My sense is that he has internalized the notion that we both bring a shared and unique value to this equation and that the things that we do in our own domestic environments or on regional environments bring significant value to ICANN that may be difficult to be quantified. Hopefully you've had a chance to read his March 18th blog, but maybe I'll just take this opportunity in terms of setting the stage to read just a couple of sentences from the overall blog.

Beginning with " ICANN's focus should not be on the amount of ccTLD financial contributions, rather emphasis needs to be placed on areas where we can collaborate, as true partners. Working together must take a priority over financial considerations that have been stumbling blocks in the past. We share a common goal of bringing value to the Internet and its users." I think it's fair to say that that's a pretty different approach and tone from his predecessor.

He's not saying we shouldn't make a financial contribution, but it certainly shouldn't be a stumbling block to the relationship and I think the quantum implied there is certainly significantly different than the quantum that has been explicitly stated in the past.

So to me, that has started to reframe the work that we're doing here. Not that the work that we've done becomes irrelevant, it absolutely doesn't, but if we think about the evolution of the work that this Finance Working Group has done over literally almost two years, we've moved I think our thinking and the work from a place where we were very arithmetic and accounting focused to a place where maybe nine or more months ago we moved to the notion of a value exchange that not only was there a financial contribution to be made, but that CCs brought a significant additional value to the ICANN equation in terms of our own work in the Internet space and the multi-stakeholder space. Be it running multi-stakeholder environments in our own countries, being truly the manifestation of an international global organization to work that we do in participating in Wiki, our own regional IGS, domestic IGS, et cetera. All of the various things that we do that bring life and credence to the notion of a multi-stakeholder model.

And that's where the notion of a value exchange was born nine months ago and I think that has really taken root inside ICANN. And that's part of where I believe Fadi is coming from in taking what I would say is a significant turn from his predecessor as we see in the printed word and his blog.

So we've gone from arithmetic to value exchange to really an evolution of the value exchange, where there's a strong recognition of what CCs do to really live and breath life into the multi-stakeholder model, which ICANN must harness. For which it will be difficult to monetize the actual value of that, but there has to be, and there is, a strong recognition of that. And I think that ties in to where we have been talking about the three buckets of expenses that we've talked about considerably in the past, which are specific. Those very directly related to the functioning of the ccNSO. The shared expenses, like IANA or the board, where this community receives some benefit, but what exactly is that benefit? Of course, we know lots of benefit from the board and clearly IANA. And then there's global expenses that are less directly tangible to the CC community.

And what I'm seeing start to take shape is they're all the things that the CC community brings and then there are the global benefits that ICANN brings, both of which may be difficult to quantify in terms of their specific monetary value. And at a certain point we probably need to get comfortable with the notion that that's going to be a wash. That ICANN brings value, we can recognize that. We bring value, ICANN can recognize that and we just need to get comfortable with the fact that, you know what, let's call it even on that bucket.

We've already identified the specifics, so really what we need to talk about and focus on is what are the shared expenses that ICANN incurs that we should have some part in helping offset. And I think that this working group, even though we've been almost two years in the making, have really started to narrow it down to what is that bucket of expenses? And if we can come to terms on that, a very significant portion of this work effort will have been realized. And then we need to talk about how we're going to allocate that in a reasonable way, given the wild diversity of registry types that we have in terms of domains, revenues, governance models, et cetera.

So I think that sets the stage for Xavier to take us through bucket number two, since we've been through bucket number one specific the number of times. What are the shared expenses and what would that look like from ICANN's point of view at this point? Xavier?

Xavier Calvez:

Thank you. Okay, so last call that you guys had that I participated too, we looked at the specific bucket and then after that, the components that we thought made sense to be -- that are shared. And certainly the way I want to look at this bucket a bit more specifically now is it's not just I want to emphasize that my perspective on these methods ICANN's view it is I'm bringing numbers so that this group together can determine what makes most sense from the perspective of what are those buckets that are in the shared -- what are those items that are in the shared costs? And how do we think it makes more sense to allocate them?

So I will slightly rephrase. It's not -- I don't want you guys to think it's ICANN's view and I'm going to try to impose anything on you guys, it's a suggested attempt so that we can look at a model that exists on paper together and finalize it to the extent that it makes sense to this group as a whole, not to me honestly.

So, specific of the stuff we talked each year that now the specific again, so the share. And that's the last slide of this presentation so this is the one that we're going to try to focus on. I actually can use a portable mic, if it's possible.

I'll go to the screen. Is there anybody remote? No, okay. So this is a bit technical, but I'll try to describe this. So on the left we have the various items of costs, like all of the shared areas of costs that we had discussed last time, which for those of you who were part of the call, if you remember we said the main items that we're talking about are governance, ICANN meetings, IANA and IDN that are -- the areas of cost where clearly the CCs have that affect or participation that's specific though not exclusive therefore shared. So that's those that I've used and tried to put numbers and (inaudible).

The next column is just trying to put a little bit of comments on the assumptions. I will come back to that. Under the heading of Total Costs, there is on the left the reference meaning where did I pull those costs from to use for the purpose of this model? There's different sources of information and I indicated them here.

The next column is the total amount of the cost bucket that corresponds to that as per the reference utilized and that we are going to allocate in the next columns. The next column on the right is the suggested key to allocate the costs, which we need to review together and determine what makes the most sense. This is a suggested attempt.

For that key, next column, we have the numerator basically of the equation that is specific to the ccNSO and the total -- the denominator of the equation, the total number of items for that key. So, the board is an easy one to pick.

We have 16 voting board members. We have two board members that come from the ccNSO. Two divided by 16 is suggested to be the key to allocate the board costs. I think it's relatively simple. And I'm not saying we have to stick to it, but I want you to understand the mechanics. So three -- maybe I should have indicated it's in thousands of dollars. Three median times two divided by 16 is 377.

So, the same approach of course for the other line items. You have some areas that are shaded in blue, others that are shaded in green. I don't know if they appear really as such from where you're sitting. So in blue it is the costs incurred by ICANN. In green it's the costs incurred by the CCs that I'm trying to reflect. And there's some blanks there that we need to fill further. At the minimum, when we come to the ICANN meetings I will need input from you guys so that we refine the number because it's a very basic assumption that I took on my own relative to meetings that I'm going to need your input on.

So, let me stop there. Any questions? No?

Byron Holland: Can you just -- being the furthest away, those numbers are so small.

Xavier Calvez: Sorry.

Byron Holland: The assumption is 200 on ccTLD hosting kind services, service costs, is that 250?

Xavier Calvez: Yes, sorry. It's 250 as an average. So what I'm thinking we may want to do is try to take the last six meetings --

Unidentified Participant: (Inaudible)

Xavier Calvez: Yes, so I think you said you spent about \$550,000 for -- right?

Byron Holland: Yes.

Xavier Calvez: So, for Toronto. Then there are the -- I think dot cr, I think said that they had spent \$300,000. I had this figure in mind, but I wasn't too sure. And then there's those meetings that we have that don't have a host at all. So when you average that out, what is the number? I've used 250, but you tell me what it is. I just -- I don't have that data and I think we need to gather it.

Byron Holland: Sure, I just wanted to understand more just because I couldn't see the numbers because I'm directly (inaudible).

Xavier Calvez: Yes, but I'm taking advantage of your question to explain a little bit about how I come up with that amount. But I will replace it by what you guys tell me it should be because I don't know what it is.

And so, since we're talking about that it may not be very clear on the spreadsheet, but there's a minus sign here, so of course in terms of a deduction, as an offset of the costs incurred by ICANN.

Since we're talking about the meetings, what I had to do for practical purposes, I've used a normative approach for the meetings' costs, just because instead of the forecast for 2013 that I have because in '13 we have only two meetings. So it's an abnormal year when we look at annual costs. 2014 will also be abnormal because there will be four meetings. So that's not very helpful. So I basically took an approach, which is because I know they had the -- and we have meetings, costs and models, which we have talked at length with Chris and hopefully we will manage to speak more about when we have more data to share.

The costs of the meetings are approximately \$2.5 million each. Some are a little bit more expensive, others a little bit less expensive. Singapore is a little bit more expensive because the hotels cost a bit more. Toronto turned out to be a bit less expensive than we thought it would be, so it was only \$2.3 million to \$2.4 million. The bottom line is averaging it out \$2.5 million. Three meetings, \$7.5 million.

What I have done in addition to that, which is a rough attempt at something that hopefully we will be better at in the future, is trying to measure the estimated costs of the staff support that's not included in the \$2.5 million that I have mentioned earlier. So I have taken an attempt at what should normally be a cost accounting exercise of understanding the good time that is spent by the staff that is by the way, not the staff that's in this room, but the staff that's not in the specific because Bart and Gabriella and Kristina are part of the specific dedicated. This is the shared, so the staff other than them, who supports the meetings. So there's in total 80 staff members at this Beijing meeting that come to work here during this meeting. About 80.

And I didn't take the total of the 80 because not all of them necessarily contribute in the same fashion to the overall meeting's organization, but so I took a portion of the staff's costs -- an estimate of the staff's costs on an average basis. And that's what brings up the amount from \$7.5 million, which is three times \$2.5 million, to \$9 million. So that's the basis, normative basis for the costs here of the meeting. And then subject to refinement as well, of course.

I have assumed 150 participants for the CC community, so you guys need to tell me what is the best number to take as well, because I don't know what it is precisely. And I have assumed as an average that we have 1,500 participants to a meeting. With that breaking news, we're going to have more than 2,000 participants in Beijing. That's the biggest ICANN meeting ever.

So, my number just on the basis of what I said is already up solidly. So we probably need to refine these two amounts, these two numbers to what they should effectively be, but for the sake of this discussion, I have used 150 and

1,500. That gets us to 10% and \$900,000 for the ICANN -- sorry, for the portion of the costs incurred by ICANN that is allocated to the ccNSO. We've already talked about that piece that comes as an offset, which is the costs incurred by the CCs for the same purpose of the ICANN meetings. The net of the two is about (inaudible) contribution into the model.

I'm assuming you guys will stop me (inaudible).

Byron Holland: Sure, if you could give us -- I think what we would want to know is how did you come to the numbers, and you've given us a reasonable explanation for the meetings. If you could do the same for IANA and IDN.

Xavier Calvez: Yes.

Byron Holland: And then in terms of the working group itself, any questions of understanding, clarification, we should do those, but not necessarily -- I don't think at this point we want to go into debate of assumptions yet. Thank you.

Xavier Calvez: What I wanted to make sure is you have an understanding of the suggested model that I've put together here and that you can challenge the assumptions so that then we can refine it.

So the IANA. So the IANA function, and I will come in further on that, and the DNS operations functions that are included in the costs of \$4.5 million that is here. So from a construction standpoint this -- we have a department. That's the IANA department. We have another department that's the DNS ops department. And we have turned over those departments, the personnel costs, travel and meeting expenses, any relative professional services costs, administrative costs and so on. These aggregate to for IANA and DNS ops to an amount, and I have also included in there in overheads, in infrastructure overhead straight for those departments. The infrastructure overhead is the cost of finance, HR, IT support and it's also basically really surely overheads of having employees, you have costs to support those employees and it's an overhead rate of 25% that I have used, so you that you guys know. And there's basically the contribution of those departments into that 25% rate.

So the two departments grossed up with the 25% rate of overhead that I have included in there, add up to \$4.5 million.

The allocation key that I had used and that I'm suggesting to use but honestly I would assume that you guys have a more substantial view of what that should be, what the allocation should be, is the number of domain names and because there's -- as I understand it, there is a relatively commonly used split of the domain names between Gs and Cs that's in the 40% for the Cs and 60% for the Gs of the number of domain names. Again, if there's a better key I'm all ears. And if there is a better or refined manner to measure what that percentage should be if we want to use that key, I'm all ears as well. Right now I have used that 40% for the purpose of the model. That results in a contribution or an item of more than \$1.8 million.

I had a quick discussion with Bart a bit earlier today. I wanted to make sure I used this tool, so is there any costs that are incurred by the CCs in relation to IANA that we should in a similar fashion to the meetings take into account in the overall model? So, I'm asking the question either now or later, let me know if there's anything we should take into account.

IDN, this is -- so I used for that specific item the preliminary budget for fiscal year '14. It was just more practical for me because in '13 we have the IDN costs in two different departments. In '14 we have created a specific department for IDNs and

therefore I just have that information available for '14. This includes costs for fiscal year '14 for the department that deals with IDN who will deal with the IDNs, both for the CCs and for the Gs.

So on the basis of that, I have, with the help of Mark, we've just put together an estimate in number of CC IDNs of 35, the number of IDNs that exist. There's in the new gTLD application process, there's 108 generic CCs, sorry, generic IDNs. And the aggregation of the two is 143 and we're just doing a pro ration, a pro rated calculation of 35 for the CCs divided by the 143 total equals that proportion for the IDNs. The total of all that is \$2.7 million, subject of course to vendor refinements of the calculations, the potential changes in the keys if we think there's better keys for that.

Byron Holland: So just to be clear, that's also in addition to the \$990,000 that's specific, that's additive.

Xavier Calvez: Yes, exactly. So, the two aggregated together on the basis of that is draft \$3.7 million.

Byron Holland: Are there any questions of understanding or clarification for Xavier? Lesley?

Lesley Cowley: I'm maybe misremembering. How does that work with the IANA contract purchase order from the DOC stating there's going to be no costs?

Xavier Calvez: Correct. And so the way we capture the IANA resources in ICANN, the department that I mentioned, IANA department, is basically all and only the resources that support the deliverance of the contracts basically that we have with these. So those resources only support delivering the contract provisions and no more.

Lesley Cowley: I understand that and the cost (inaudible) term, but the contract with the DOCs states there will be no charges, which gives you a bit of an optical difficulty if we are going out with charges in the region of \$1.8 million potentially. I'm not saying there's no costs, of course there's costs. What I'm pointing out the obvious is that there's a contract that says zero, which may lead some people to say well, that contract could go elsewhere and it would be cheaper for CCs.

Byron Holland: Chris?

Chris Disspain: Yes, correct. But I think that this is a -- my suggestion would be to flag it as it's a terminology issue. I don't think there's any question, at least there certainly hasn't been in my understanding that the CCs recognize that IANA is something that they should be, in whatever way, contributing to. So I think you're right, it's an optical issue. But I agree with you it needs to be flagged. We've got to be very careful we don't start bandying documents about that refer to a cost (inaudible).

Xavier Calvez: Yes, so from a construction standpoint I view this as a methodology to come up with an amount. It's not an invoice, right. Having said that --

Lesley Cowley: I absolutely appreciate that. I'm just identifying a bear trap.

Xavier Calvez: No, absolutely. Thank you for that because we'll have to find a way to package the information.

Byron Holland: I just have another question from Keith. Allan?

Allan MacGillivray: Actually just a technical one. You explained the 25% gross up of the direct cause on IANA. Did you use a gross up factor in any other categories and if so, how much was it?

Xavier Calvez: Yes, so it's between -- when I used the overheads' gross up, it's 25% and I have used it on governance I think. So I mentioned the staff estimate that I added to the ICANN meetings' costs, so there's -- I said \$7.5 million for the meetings' cost, then the staff costs on top. So the staff cost is in total about \$1.5 million in that \$9 million. The \$1.5 million is the gross cost of the staff estimated by me, plus the 25%. So if I take out of that \$1.5 million the 25%, it's in the \$1.2 million (inaudible).

Allan MacGillivray: All right. So gross amount, how much of the total ICANN overhead is in that first column on the left? I mean if you --

Xavier Calvez: So \$300,000 here, it's about \$500,000 here. It's about the same thing, \$200,000 or \$300,000 there. And in the governance number, let me go back to the spreadsheet, but it must be in the, I would say \$400,000. So when you add those together, you get \$1.4 million.

So and 25%, if you think about it differently in aggregate, I used the forecast is in the \$66 million, \$67 million. So 25% is \$16 million. That supports that. \$16.5 million (inaudible). It's finance, IT, or a portion of the IT, not all of IT, HR, a portion of management.

Byron Holland: Other questions? Go ahead, Mathieu.

Mathieu Weill: Yes, try to understanding it all. We have in the box of ICANN meetings some amounts of money that is what are you going to do by ICANN that other was by the CC community? Do we have the same methodology in the IANA (inaudible), just to mention that we, as CCs, want DNS and we are part of the DNS ecosystem. And then we have costs for that too. If the real main function is to maintain the DNS working, we incurred in costs (inaudible) in that side too. Then it could be partly that white line on the part of IANA not the work that we do just for the IANA works. It's the work that we do for maintain the DNS as we (inaudible).

Byron Holland: So that's a fair question, Bart. Did you want to respond?

Bart Boswinkel: In a way say what is not included here is, for instance, if I am correct, our operations. Our operations is part of global. In that sense, it is like the DNS operations or CCs, it's part of what you do (inaudible). This is really specifically -- yes, it's a bit of the trade off between global and shared, what you consider shared, what you consider global.

Xavier Calvez: I'm trying to make sure I understand correctly what you're saying. If I understand correctly, the implication of that would be that if there is any, we should then take all the costs by all the operators that manage the DNS, aggregate them and then allocate that cost. I must admit I don't know yet how to do that. But I wanted to make sure I understand correctly your point is that -- am I understanding it correctly?

Mathieu Weill: Yes, you understand it correctly. And it goes to the point that I tried to be on discussion the last phone call is we are talking about maintain. In this discussion we are talking about to maintain the ccNSO thinking of working group within ICANN. Or we are talking about the CC community as a whole and where are they in (inaudible) for the ecosystem of the income. And then if we are just talking about how can we maintain in allocated costs to have a bureaucratic body to talk about CCs issues of topics or yes, we don't need to have many of these costs and we can't pro rate on views the information what are the costs of the CCs they incur and only compare the body of ICANN. How to allocate the ICANN's budget.

But if we think that we are pursuing to identify how can the CC as a whole community be considered in (inaudible) the ecosystem. How ICANN and how all of us are considering them. We shall have a different focus then. It would be very difficult, yes I agree, but the point is are we just discussing how are we going to allocate the costs of ICANN between just of us, just the people who are participating in the ICANN meetings, in the ICANN organizations? What happened with all of them, all of those guys? We are part of the CC community who are not participating, who are not part of the system. Are we going to pay for them? Because they are receiving the same services. If we are having meetings in different countries all around the world, it's trying to make them easy to come, make them easy to participate, not just to make more difficult to all of us to go around the world having these meetings for the same people. That's all.

Keith Davidson: Okay, I thought we had sort of found an agreement that we wouldn't -- we're looking for a formula for ICANN to look at. We're not looking to be a collection agency for ccTLDs who are not part of the CC in terms of -- that becomes ICANN's problem as to how they might collect money from ccTLDs who are not inside the CCs. Or in fact inside the CCs. It's not this group's issue I think. Probably quite important. I think that's actually in this working group's mandate, isn't it? It's not? Well, okay.

Mathieu Weill: It is an issue. The invoicing is an issue.

Byron Holland: So before we go too far down that --

Unidentified Participant: I had another remark and that's probably important in the broader perspective on (inaudible) remark. There are CCs who do not participate in the ccNSO, who don't have an accountability frame, but who voluntary contribute. So it's very difficult to -- yes, you have to refine the set of CCs you're talking about up to a very granular level to make these distinctions. And I think that was the basic assumption from (inaudible).

Keith Davidson: Well, and you could -- I was just -- I had the point too that I thought the issue of what the work that ccTLDs do in relation to the DNS is slightly an aside because you are required under RFC 1591 to discharge those responsibilities. So, I don't -- I struggle to say that that should be part of an equation of funding because when you take on the responsibility of being the ccTLD manager, you are assuming that responsibility that you'll run the DNS on a basis that it'll be robust and resilient and so on. So, I think that too much of (inaudible) and it's --

Byron Holland: Thank you, Keith. Are there any other questions for Xavier before he departs us? In terms of clarification or understanding of how he has come to a number on the shared expenses? I'll take that as a no. Final comment?

Xavier Calvez: I just want to make sure that we -- you can think with the group of a process to collect comments because they may have not come now, but there may be more down the road. So, there's a process to collect comments because if there's no more I'm just going to suggest well, let's go with that. But if there are more comments on -- I would expect, for example, that maybe the piece that have been (inaudible) that makes the most sense. It's my suggestion this group should be able to formulate his view of what those (inaudible) be, the numbers being used and so. I just want to make sure that there's a process to collect feedback if it comes so that we can move forward to the next step.

Byron Holland: I'm quite confident there'll be feedback. So two final points before Xavier goes. He will be coming back at the end of this session. First Mathieu and then Lise and then we'll move to the next agenda item.

Mathieu Weill: First of all, Xavier, thank you for trying out on this very touchy exercise and putting numbers. The first time it's, I know, quite a challenging task. And we really appreciate it.

My suggestion would be to try and project these figures in three to four years' time, because that's going to change a lot. We expect about 1,000 gTLDs to be in the group by that time. The number of participants to ICANN meetings will certainly grow and this growth will probably be carried by new gTLD applicants. So I think one interesting exercise as well would be to try in some way guesses on this in order for us to build an estimation of what it is -- would be now but also what it's likely to be in the future. I think that would be an interesting value added to this exercise.

Xavier Calvez: Sure, I can take a shot at it.

Byron Holland: Thanks, Mathieu. Good point.

Lise Fuhr: I was just wondering, because I have a very hard time relating to the numbers I see because you put in a lot of the words and the final amount. Can we see the Excel sheet you have behind this? And because to me it makes more sense to see how these are divided. So do I find that they're reasonable or --?

Xavier Calvez: So, your question is about what's in the \$3 million, what's in the \$9 million and so on and so on. And what type of breakdown are you looking for?

Lise Fuhr: You said you had an Excel sheet. Is that very big or are you just -- like you have your numbers in the annual report.

Xavier Calvez: Yes, so the numbers that I have used are coming from -- so when it's from the forecast, I have a forecast for the expenses I just mentioned that it was \$66 million, \$67 million for the fiscal year '13 in the forecast. It's below the budget. The budget was at \$74 million. So I have reviewed that forecast, for example, with the BFC two days ago. So I have a forecast that has all the departments of the corporation and that's what adds up to \$66 million. And when I took the governance number, I added the board support, the noncom and the ombudsman part of that forecast. So there's a number for each of those three departments. And for each department there's a personnel cost, there's travel costs, there's professional services where it applies. There's admin costs. So I can provide that to you if it's helpful.

What I wanted to make sure I display here is that it is, so that we can focus on it, this is the mechanics and the logic. But then can drill down on the numbers as much as you would like and it's no problem with that.

Lise Fuhr: I'd like both.

Byron Holland: Way back in the mists of time, one of the things that I think we talked about is ideally we don't want to necessarily plumb the GL codes of ICANN, but we also on the flip side want to be confident that the numbers we're seeing here are in fact the actuals coming, flowing from them. So I mean there's probably a balance to be drawn. These are consistent with the forecast, so if we went to the forecast, we would see numbers consistent with what we see here. The revised forecast?

Xavier Calvez: Yes, so I can do two different things that are easy enough. I can track the figures that are underlined to those into a spreadsheet and share it with you. You and I can sit down and look at my computer, a thin point of time as well, as you'll see that the way it's constructed, because I have the details in that spreadsheet.

Byron Holland: Sounds like a date.

Unidentified Participant: (Inaudible)

Byron Holland: Yes.

Unidentified Participant: (Inaudible)

Byron Holland: Yes. Okay, on that note, thank you. You'll stick around and be --

Xavier Calvez: (Inaudible)

Byron Holland: Thank you. And I just want to echo Mathieu's comments. This is the first time that somebody from ICANN has really put forward some numbers in this bucket after two years.

Unidentified Participant: (Inaudible)

Byron Holland: Longer than that and I'm strictly talking about the history of this working group. In spite of the fact that we've been through, what, two CEOs, at least a couple of CFOs, a couple of financial accounting systems. I'm not sure if this is a cultural centric joke, but for those of you who maybe have seen the movie -- or the TV show "Survivor," out wit, out last. Maybe that's a North American centric joke. But, okay, sorry.

Xavier Calvez: What you just said also demonstrates that it's not a matter of systems or availability of information, it's a matter of what you want to share.

Byron Holland: That too. Thank you, Xavier.

Unidentified Participant: (Inaudible)

Byron Holland: Okay. So without going back to 2002, yes.

Unidentified Participant: (Inaudible)

Byron Holland: So that is, however, the first time they've really come up. I think it is for better, for worse over the last couple of years. This is the first time they've actually come up with a number for us. I think it also bears mentioning that they have taken a significant step forward in that they have wiped away anything for the global expenses. So they have stepped back for the first time from all things associated with the global expenses. And I'm not trying to make his case, I'm just saying we should recognize that they have walked away from anything on a global front.

They've clearly identified what the specifics are, which I think on that bucket we can agree with. And on the shared, in terms of a framework, it seems not unreasonable. Now we may want to validate the specifics, we may want to question what he's calling the key or the factor that he's using to make sure that they're more reasonable than perhaps his first cut. But in terms of a framework, are there any comments against that framework?

All right, now let me do it in a positive. Can we go forward using that framework? While we may still question the assumptions and the keys, and validate the GL code level behind the number, but the framework. Keith.

Keith Davidson: Well, I like it as a framework. I think we've got something to work with. It's tangible and it's meaningful. So finessing it from here and arguing about the quantum and looking at the detail and so on and so on, is all part of that. But for the first time in my history now, and I actually feel comfortable that we actually have something --

Byron Holland: Isn't that the entire history?

Keith Davidson: Yes, all right. I suddenly feel some comfort whereas I haven't until this point.

Byron Holland: Well, thank you for that. I think that in itself is a strong signal.

Okay, let's move to the next agenda item.

Unidentified Participant: (Inaudible)

Byron Holland: Okay. Fair point. So Bart has just made the -- well, you can make it for yourself, but I'll paraphrase. My understanding of it is if we are okay with this framework, what step do we want to take going forward in terms of validating the numbers? I'm going to leave that question with you and come back to it because we will want to make sure we're comfortable with the assumptions and the numbers. But I know that Lise already got a date pending in terms of validating the GL numbers.

Unidentified Participant: (Inaudible)

Byron Holland: Okay. Just the highlights, yes.

Unidentified Participant: (Inaudible)

Byron Holland: So I'm going to leave that with you and we're going to come back to it in this meeting. But you can think about that.

The next item on the agenda for discussion was something that I titled the Financial Capacity of the ccTLD community for the contributions. Because it's one thing to come up with a number itself and the number can be anything. I mean it's been thrown out 10, 9, 2.7. The number is one thing, but what is the actual capacity of the community to fund the number? And I think that that is part of the issue that we've been having. And I think it's a relevant issue for this group to discuss because making the assumption we will come to some conclusion that we want to put forward to the ccNSO at large. Part of it is can the community actually fund the dollar value? As we know, this community has a very long tail in terms of there are of the total domain portfolios held by all CCs, there are a few very large ones and then there's a very long tail of smaller ones.

So what is the actual capacity of a community with such a wide distribution of revenues and domains under management to pay in an equitable way? Recognizing that there are going to be CCs that don't participate. We have to have comfort with the fact that, call it what we will, there will be free riders in this space, in this community. We have to be okay with that I think. We as a ccNSO or the council are not in a position to force anybody to pay, so we have to understand that there will be free riders in our community, though we can certainly encourage and try to motivate all to participate. (Inaudible)

Unidentified Participant: I just make -- there's a difference between being okay with something and realizing that you cannot do anything about it. Obviously.

Byron Holland: That's a fair point and I guess I was getting -- making that assumption that yes --

Unidentified Participant: My point being that at the end of the till I think it's quite logic that there will be CCs that we would call free riders and we would understand and be okay with them being free riders. But that at the other end, I think there will also be free riders, but it doesn't necessarily mean that we or I would be okay with it. But there's nothing we can do about it.

Byron Holland: And that's a fair point. I don't think anybody would suggest that we should be pleased about it or just okay with it. I think we have to accept it. I think there's also a part of the work that we do here, and it is actually in our charter, that we should try to motivate or inspire our colleagues in other CCs who are not participating in the contribution regimen to participate. Because for everyone that doesn't, it puts some more onus on those who do to potentially fund more or explain why we as a community are not funding more. And there are CCs who have significant domains under management, who are necessarily funding much.

So this is the discussion I want to have. This is what is the capacity and what are the issues behind some of the capacity? And how are we going to get to a point recognizing a number of these issues, yet be able to come to conclusion and make a recommendation? Keith.

Okay, Mathieu, did you have your --? I thought I saw a twitch down there. Okay. Peter.

Peter Van Roste: If I look at the last totals of contributions that I find, which is from 2011, so I'm not sure how that evolves in 2012, but the total is about \$1.6 million already. Which is I think encouragingly close to numbers that we're trying to reach compared to what we previously had in mind. So thinking about the capacity, I think it's a reasonable pitch to try and -- a reasonable (inaudible) to try and pitch from now over the next couple of years. It isn't going to happen overnight of course. But with the transparent figures that Xavier produced, I think we've got a really good way to start.

Byron Holland: So just to put some context around that, I think you're right in that if we said it's approximately \$3.7 million that he is suggesting is -- it's \$2.7 million plus the \$900,000 from specific.

Unidentified Participant: (Inaudible)

Byron Holland: So \$3.7 million roughly. So while the actual dollar value, I would argue, is not huge, a little over \$1 million, \$1.5 million, the percentage increase is large. And there are a relatively small number of operators, CC managers, who are paying the significant majority of the total number. Roelof, you're looking like you're not buying this, but --

Roelof Meijer: No, I'm not sure I'm buying it. I'm not even following you, so. Because you said it was \$2.7 million plus another \$1 million? Somehow I missed that \$1 million, but it's \$3.7 million we're now at. I remembered that the latest figure we had on 2012 I think was \$1.9 million, so there's about a \$2 million difference, not a \$1 million.

Byron Holland: Sorry, let me just clarify what I was saying, if I wasn't clear. There's \$900,000 in the specific bucket, in expenses. And there's \$2.7 million that he just showed us in the shared bucket for a total of \$3.7 million. In 2012, I believe we're going to be about \$1.9 million, leaving about a \$1.6 million, \$1.7 million delta. So those are the numbers that I'm talking about. Did you have a --?

Roelof Meijer: Just for argument's sake, if you look at the numbers, and then probably it makes it clear. The current contribution you could make it around \$2 million. So and the total, if you add the two, you're at \$4 million, roughly. So, then you see the gap. It's doubling the contribution and that is -- and then going back to your argument, is there a capacity to double the current contribution? Because that's what, if you assume these numbers, that's what you really have.

Byron Holland: Right. So I think that's pretty close to what I was trying to articulate is that it's a roughly doubling, while the total dollar value I would argue is not a huge number,

it's a very significant percentage increase. And given that we have a very long tail, there are not a lot of registries. You think of this as a -- and I should have put a graphic together -- of a curve that goes up and to the right very steeply. All right? So this is a long tail. And there are a relatively small number of registries who are paying the majority of quote the area under the curve, or the total dollars being contributed to ICANN. So if you double that, the fact is those registries will be on the hook for the significant portion of the actual dollars in the doubling of the value.

So then the question would be, large registries, well we have two of the largest in the room. How would you feel about doubling your commitment right now? That's a rhetorical question, don't need to answer right this second. I make it for all. There are a number in the middle, the mid size registries, who would see some change, and there are certainly, let's say in the \$1.5 million and under, who would probably see a noticeable uptick if the whole curve was going to increase in a meaningful way.

And so when I talk about what is the capacity of this community to pay, we can look at it and say between us we have 80 million domain names, and all the revenue associated with that. Is increasing our payment \$1.5 million or \$7 million depending what the final numbers follow to be, is that within the capacity of this community to fund? Is that a reasonable expectation assuming the numbers play out to be true over the next -- and the one thing I haven't talked with Xavier about is whatever arrangement we come to needs to have at least a minimum five year shelf life. We do not want to come back to this for at least five years. So over that period, is that a reasonable increase for this community to fund if the numbers are justified? Keith?

Keith Davidson: Yes, I think -- this is one of the age-old problems. I mean talking about the number of registrations in a registry doesn't have any indication or bearing on their potential revenue and so on and so forth. We're sort of forced into a position of having to find a one size fits all kind of solution. And we're probably not very happy about that, but I think at the end of the day our job is to come up with the formula, not with the collections model. It's up to ICANN to then sell that invoice to the individual registries.

So I think all we can do is communicate with the 136 members of the ccNSO, work with them on finding the best possible model that doesn't overly adversely affect the large and already probably paying too much and getting something from the small, recognizing there's probably and outreach (inaudible) for the very new and emerging registrations and so on and that we might have to bear some of the cost of that.

In any case, our job is probably to come up with the formula, not the undertaking that this is the amount that will be received by ICANN.

Byron Holland: Thanks, Keith. Lesley?

Lesley Cowley: I think you're right, Keith. I think it's our responsibility to come up with the formula and that formula may well have a transition period over X years. Because I'm just kind of thinking about going back to the nominate board and saying okay, so now we're going to double. You might get an adverse --

Byron Holland: Careful, I have two of my board members in the room listening.

Lesley Cowley: Well, I'm sure and I'm sure their reactions would be much the same as my own. So it is easier to talk about a transition over a period of time, particularly given Mathieu's point earlier. These costs are going to change quite significantly over

time too. And that would make sense to have that kind of graduated transition as well.

Keith Davidson: I agree. And I think you've made a very good distinction. When I talk about the capacity it is in a sense the theoretical capacity. The framework will deliver the number if everybody participates. But we have -- what I'm trying to get to is there a reasonable number? Will the framework underneath it work? Or above it work? But then absolutely, it's ICANN's problem to collect and justify. But we want to find a framework that for individuals would be reasonable and if it's followed -- if - - then it will deliver a reasonable number that is not inconsistent with the expenses that Xavier has articulated.

I'm not saying they will collect \$4 million. What I am saying is that the framework, if everybody participated, would be able to deliver on the expenses associated with what Xavier has shown us. I think that's the reality of the situation though. If there's some reasonable evidence, after we've forensically gone through ICANN's accounts and we had the detail there actually is more or less what we could consider to be fair, then we really don't have an option, do we? I mean that's the cost of the efforts. And so I mean I think if we can look at it in a different way, if we look at say, (inaudible) indeed as one of the sort of mid-size or smaller registries with half a million names, we can't repay something like \$25,000 or \$30,000 on the scale of fees. And that to me seems outrageously not enough. It's not appropriate, if you know what I mean, for what we have from ICANN. And what that amount would be in terms of our overall turnover. Debbie might not like me saying to be saying that, but so there are probably some registries like us who look at the amount that UK and (inaudible) and think well, that is quite a substantial amount, considering a lot of what we are talking about should be flat sort of poll tax related. It should be just divided by 246 ccTLDs and we all pay an even share.

So I think taking that into account, it's probably about us finding ways of saying we have to pay this. We've tested ICANN, they come up with a sustainable amount that it's costing, so therefore we've got to pay it. And we've just got to find a way.

Byron Holland: Thanks, Keith. Lise?

Lise Fuhr: Yes, well I'm sorry to be a party killer about my forensic. Well, but I think it's -- to me it's quite important that we're absolutely sure that the framework, that the numbers behind the framework is, what do you call it, fair. I know we can assume something, but I need to see it, I need to feel it. And because we have a difficult task now going out and telling people to contribute to this seeing the ITU Wiki discussion. And I think we need to see this all in a context. And I think it -- when we find a model, we should be very much aware that we have a lot of competition from other organizations that will challenge the multi-stakeholder model.

So in putting that in mind, I think we just need to of course find a fair solution, but also find a solution that is not putting more pressure on the competition on the multi-stakeholder (inaudible).

Byron Holland: That's an interesting point, having sat through the Wiki I think quoted \$35,000 to be in an associate member, you don't get to speak or vote. Anyway, no I'm not going to go there.

So I'm very encouraged that you're going to take on the task of digging a little deeper and validating what is being said, because absolutely whatever recommendation we end up making, we have to be confident because we are going to be selling it in some way, shape or form and we need to be entirely confident in the data and the facts that we're going to stand behind or support.

Roelof Meijer: May I say something?

Byron Holland: Yes, Roelof.

Roelof Meijer: (Inaudible). But may I recommend or at least propose my opinion that we shouldn't dig in too deep and too long. Because if you look at the total budget, the regular budget, it is now called the historical budget of ICANN, it's somewhere in the \$70 millions. And then something like three point something for the CCs gives me the first impression that that is quite a reasonable amount and I think we should verify some of the underlying factors. So let's not go too deep. I mean we don't ask any of our suppliers I think to prove what they are spending or what they are charging for us. And I don't think any of our clients, registrars or registrants, are doing that to us as registries. So let's --

Unidentified Participant: (Inaudible)

Roelof Meijer: They come to you and they ask you?

Unidentified Participant: (Inaudible)

Roelof Meijer: They ask for it, but do you actually prove what they are costing you?

Unidentified Participant: (Inaudible)

Roelof Meijer: Really? Oh, so we're not that bad off then. So --

Unidentified Participant: (Inaudible)

Roelof Meijer: So that's one. And on your question, but I think it's already been asked, just doubling is not going to be anywhere close to a solution. I think we have to look at the other framework, the framework on the how we -- if these are the costs that we are ready to bear, how we as a community come up with the money to do so. And just doubling I would say no way because we have just significantly increased our contribution to ICANN because of this whole process taking so long and as having the idea that we were lagging behind a bit in contribution, so the only deal doubling this is ah, I should have waited because now I'll double my increase if I'm not careful.

Byron Holland: Okay, so I agree and I have certainly seen the increase in the contribution you meant. And perhaps I was getting ahead of myself and that's why I talked about the capacity of the community. And looking at the numbers, maybe I'm taking a jump ahead of the group, but it's almost \$4 million based on that framework. We're paying almost \$2 million today and therefore it is roughly doubling for the community.

I never suggested that each one of us has to double the check we write today. What my question was, does the community in our view have the capacity or the tolerance for what we have just seen as a framework? Which is suggesting close to a \$4 million expense associated with our -- the benefits we receive overall from ICANN. So I'm not saying you need to double your check today, I'm saying does the community have the capacity that over some period, with some phase-in, is it going to be able to support the numbers that we've seen? I think if we now move to the next agenda item, which is where you're going, and Mathieu, I'll come to you before we go there, that's around the distribution model. How are we going to find some equitable or at least reasonable way of allocating that number, whatever it is we finally agree upon? Mathieu.

Mathieu Weill: Yes, I understand the logic, just I don't want you pushed back on it. But it's coming back to my previous point about current situation, target situation. We have roughly \$4 million we're discussing, and it's roughly too specific, too shared. I'm just simply oversimplifying.

The shared cost is going to go down significantly. Very significantly in my opinion if we project with the new gTLDs. Therefore, I would recommend in terms of communication out of this group that we do not stress the doubling factor too much, too soon. Because it's a very simple statement, very easy to impress in peoples' minds. And until we're more settled, we should still be careful about this.

What I gather is we're currently covering roughly the specific costs. That's good news. That's already good news. We have discussions about the shared costs today, tomorrow, that where we may have a gap to cover in a certain period of transition. But let's be careful not to communicate too soon about the extent of this gap until we have better knowledge about it. That would be my advice.

Byron Holland: I agree. And that's item number 5. Tactics, timing and messaging. I completely agree there and that's why the exact framework, which today shows that number, it will change over time. We're going to get to the tactics, timing and messaging in a few minutes, so let's hold that thought and come back to it, because you're right.

And there's a delicate balance to be held between selling the message in the past forward to internally to our community, as well as the rest of the community, board, GAC, other elements of the community while not creating a false expectation. But if we get a framework that has those keys and multipliers in it that we've seen and the ratios in those keys change, it will be, I think you're correct, to our benefit over time. But we can still deliver a message about the path that we've taken which would support the numbers that we've seen. And we'll come to the tactics and timing later.

Roelof, did you have --? You don't have --

Roelof Meijer: I think Mathieu was -- or at least he was confusing me again. I think that I understood that the specific expenses were just under \$1 million. So we're covering those --

Byron Holland: He was using poetic license. Yes.

Roelof Meijer: Okay.

Byron Holland: It is specific as \$1 million --

Roelof Meijer: And the other is almost \$3 million.

Byron Holland: \$2.7 million, almost \$3 million.

Roelof Meijer: And the \$1 million, so we're already covering and then some.

Byron Holland: Yes, because the thing is if we think about the numbers that have been bandied around by ICANN for quite some time, in fact a rationale while this working group was formed is all of the global costs were being lumped on us. ICANN has walked away. Fadi on March 18th walked away from that. So that's a pretty -- I would say, a very significant win for our community. But yes, that leaves us with a \$1 million specific and arguably \$2.7 million more in shared, which is what we're really talking about now. Like fundamentally, that's what this discussion is coming down to, that \$2.7 million and the framework behind it.

That being said, let's move into agenda item number 4, just being cognizant of the time. We have about 34 minutes left in this meeting.

Unidentified Participant: (Inaudible)

Byron Holland: It was scheduled to quarter after.

Unidentified Participant: (Inaudible)

Byron Holland: Right, so I'm saying in total we have just over 30 minutes left in this meeting, of which we need to bring Xavier back for a part of it.

So item number 4 is the distribution model framework. So fundamentally there's a core assumption, it will always be a volunteer contribution. That's unquestioned. We have to recognize that there are organizations with very different capacities and very different numbers of domains under management. The long tail, as we've talked about, so the model that we have to -- the distribution model has to recognize that.

We don't want to one size fits all, but to some degree we at least have to have a single model, I would argue, that would mostly likely be an evolution of the banded model that we've already seen, which was created and our resident historian, 2006? Something like that. Obviously in Internet time that's about, what, 42 years? So times have changed significantly.

I've done some just general modeling and I'd be happy to share it at some other time in terms of the specific numbers. But I think it's fair to say that we would likely have to increase the number of bands because we have CCs with 13 million domains and CCs with less than 10,000 domains. So we need to recognize that in terms of the number of bands and also potentially the breadth of the bands. At a certain point there has to be just a for example an over \$5 million category recognizing there should be an under \$10,000 or an under \$50,000 as small registries who -- and I take your point. Domains under management isn't necessarily the only metric, but if we're going to use a proxy, and that's what the tiering is, it's a proxy, that is also proxy for capacity to pay, we need to have a cap, recognize the minimums with very limited capacity to pay and increase the number of tiers and try to find a more graduated path from bottom to top.

Unidentified Participant: (Inaudible)

Byron Holland: Does that seem reasonable? Any objections to that? I think that's consistent with the path that we've taken thus far. So then if we agree with that, it's really just a question of coming to what are the tiers and then what are the recommended contribution numbers associated with the tier. Is that fair? Everybody nod in agreement? All right.

Roelof?

Roelof Meijer: And I think we should also be conscious that theoretically we are going to face a new challenge. And that is that we might get more money in than the calculation comes up. Then comes out of the calculation.

Byron Holland: I'm not -- can you --?

Roelof Meijer: So if you have this banded -- voluntary banded model and because we now have a reasonable figure by ICANN, we might overshoot the financial target. It's a theoretic problem, yes, but we never had that because they were always telling us that we should pay more. But how or what is going to happen when in the end every CC that wants to pay has paid and in total this amount comes up with \$5.5

million? What do we do then? Are we going to ask ICANN to refund and then we redistribute the money back? Or --? Do you get my point?

Byron Holland: I certainly understand the theoretical construct of it.

Lesley Cowley: What was in the coffee you had earlier?

Roelof Meijer: (Inaudible)

Lesley Cowley: I should think that extremely unlikely because surely the total from the banding should add up to the sum that we've been given. And I think it extremely unlikely that everyone in the banding would say what they should be paying.

Byron Holland: So let me just address that. Now that ICANN has tipped its hand, right? So this is really the first time ICANN has tipped its hand and said here's a number. So whether we're going to actually in the end agree with that specific number, at least now we can use it as a working assumption and can build the bands accordingly so that the number that drops out is the theoretical maximum. We know that not 100% of us are going to pay. We know there will be free riders. So we know that the likelihood -- therefore we know that the likelihood of overshooting is somewhere between slim and none.

Roelof Meijer: I think now we are oversimplifying because we have the fee-banded model. And the present model says if your size is between this and this, you are -- you can maybe pay between such and so. Between such and so. So how are we going to have such a model which will, if we calculate, gives us a fixed amount? Because we don't know where people or where registries are going to choose in a fee band. Are they going to be at the end? Are they going to be at the beginning? Are they going to choose the middle? And so that we will only know how much money will be paid after it has been paid. And it can be less, but it theoretically it can be more also. I wouldn't be (inaudible).

Lesley Cowley: Theoretically you're right. In reality, many people will accept the lower part of the band if you are given a choice. Can I also raise another point? I think we really need to change the free rider term because I think that's just terrible. I think there are people who cannot yet pay and there are people who can pay but choose not to. So different things.

Byron Holland: Agreed, but I think part of the discussion should also be around motivating people who enjoy the benefit to participate financially. And that's why I also suggested that there's got to be some level that perhaps -- and I'm not -- I'm just throwing these out. Under \$10,000, under \$50,000, some number where perhaps there is no fee, recognizing that potentially the capacity is -- capacity to pay is limited. And I wouldn't call that a free rider, but I think there are registries who without a doubt have the capacity to pay, receive the benefit and elect to contribute nothing.

Lesley Cowley: Agreed, but that's the could pay and won't, which is different. So I don't think there should be a zero in the banding because the number of domains doesn't necessarily determine you're going to be a I'd like to pay but I haven't got any money. Or I could pay but I'm not going to.

Unidentified Participant: (Inaudible)

Lesley Cowley: I think we need to think about the terminology, that's all. And I agree with the general sentiment that if you should be able to pay, then it would be good if you could.

Byron Holland: Bart?

Bart Boswinkel: Maybe just looking ahead to at some point in time this working group will produce a final report. One of the things is say this is where you want to include this terminology. That's one. But also this is going back to say when we started the meeting, is if you look at the global bucket, and it's -- I know Xavier's stressing it and I'm stressing it as well, it is the recognition and that should be documented in the final report as well, is there are items in the global bucket on both sides. And that needs to be very well documented in order, and this is going back to the messaging as well.

Very short point to echo Lesley's. And it's more about tactics and communication rather than substance. Naming and shaming may be an effective policy at some point, but we're far from that now. So that's why I really think that the word free rider should be avoided, even within this group because it carries a very negative meaning that we are not actually sharing at this stage. And of course outside of this group it can have adverse consequences about how our work is perceived, what its actual goal is and so on. So that's point number 5 on the agenda, I'm aware.

Byron Holland: You're much more diplomatic than I, but if free rider is a very problematic term, I have -- I don't object to eliminating it for the time being. I will use it judiciously in the future.

So what I hear in this room is that there's a general acceptance of the bands. That we are going to be willing to increase the number of them to reflect the wider distribution of registry size. And that we can put forward a model internally - I'll throw out a straw man model to the group by email, in fact while we're still here. Because really this is just a matrix -- it's an arithmetic matrix and we can just play with what works. Now that we actually have a number for the -- quote, the bottom right.

Unidentified Participant: (Inaudible)

Byron Holland: Peter?

Peter Van Roste: Just a reflection on the distribution model and it's partially to refer us also to the question whether this community has the capacity. I'm not necessarily speaking for the subject community, but from the information I got from my colleagues from other regional organizations, I think it's important not to expect too much from that long tail, especially from the say 60% of the long tail that's most to the right. In any TLD there are members that have trouble paying \$100. I know regional organizations sending out yearly invoices for membership of \$50. So if you're looking at that size of invoices, which is what those people in that very right side part of the long tail can pay, it will hardly make any difference. Just to be cautious, don't expect too much from them. And they're willing to pay, but they can't.

Byron Holland: Okay. Well I'll put out a matrix and then we can have some further debate of that. But at least now we actually have a number to work with. ICANN has finally provided that bottom right number that we can reverse engineer a banded model from at least to get started with. And then Lise will validate that the numbers are correct. Keith.

Keith Davidson: Can I just say in that regard that I don't think we need to nickel and dime this. This is not about checking the last \$50 or \$25. This is only to look for matters of real substance and significant (inaudible). I think if you were looking for \$50,000 plus oddities, that would be what would be appropriate to be looking at just --

Byron Holland: Thank you, Keith. I think that's a good point to keep in mind. I want to move to agenda item number 5 unless there's any final comment. Finally we're going to get there. But not yet. Let's have five minutes internally.

Unidentified Participant: (Inaudible)

Byron Holland: Okay. So we have about 20 minutes left and I wanted to talk about tactics and messaging and timing around starting to disseminate the information, assuming we get to a tiered model that we can agree on and we validate the ICANN expenses.

So there are a number of communities that we have to deal with or that we want to be able to disseminate the information to. And they're going to need different messages. There's the GAC, who's paid significant attention to this. Certainly the board itself, our community, the ccNSO and the broader ccTLD community, which is going to have a very wide range of opinions likely. We're only a microcosm of it here and there's certainly a breadth of opinions within this room.

And then there are the other supporting organizations who will definitely have opinions on what we're doing. So I think we want to be able to communicate the message in the most effective way. We have issues like are we going to double it? Do we want to lead with that message? No, probably not. However, within certain communities showing a framework that end result could be possible is a message that we wouldn't necessarily want to take off the table. So who we're going to communicate to I think we want to be very conscious and very specific about it. And what that message is exactly is going to vary between those different communities, though of course there's a common thread that has to get woven through all of them.

In terms of timing, I know that we have all enjoyed this discussion for some time, but I would like to propose that we try to be able to get to a point where we put a recommendation to the council forward in Durban. I don't think that's unreasonable. I think we're quite close to it. ICANN has provided what we needed them to and what we've been asking for quite some time and now it's just a question of backing out the final model of which we have general agreement on the framework. So if that's the end goal, which is mid-July, then we can start to back out the specific elements, like agreeing on the tiers, validating ICANN's number and then getting to the point of what is the messaging that we want to deliver to each community. So that's what I see in terms of timing and then to some degree the exact messages are going to be about the tactics of delivering a message which is most conducive to getting us to the end goal, which is the satisfactory contribution method.

Mathieu, I know you are dying to talk about this in some way, shape or form. Want to open the floor?

Mathieu Weill: Yes.

Byron Holland: Okay, good. Any other comments, input into how we should be delivering, who we should be delivering to or the timing of it? Lise?

Lise Fuhr: Well, I don't know if I'm very well into the procedures according to the rest of the ccNSO group, but don't want to discuss this with the group or is that scheduled for -- so this, your presentation then or --? When will we have a -- you don't put that before -- for the group before the council?

Byron Holland: Bart?

Bart Boswinkel: Normally what you see, say there is, say on progress there will be a meeting on Tuesday. And if you go to Durban, is normally what you see is the community is consulted before it goes onto the council agenda in order to inform the council whether to adopt it yes or no. It's, say the council meetings are Wednesday afternoon and there real discussion's taking place on Tuesday or during the ccNSO meetings on Tuesday and before Wednesday before the council meeting. The question is whether you think, but that's again tactics. Whether you think you want some more time between the consultation or the members in the council decision itself. But that's --

Byron Holland: I think that if we can come to the Tuesday morning meeting, or the ccNSO meeting in general where we provide our update, if we can come to a general conclusion here that this banded model is reasonable, the ICANN number is validated and not unreasonable, that if we can deliver that message this Tuesday that we will have put the marker down that we are close, that here's the potential model that we are validating the ICANN number, that our expectation is broader feedback in the input in Durban. But with setting the expectation that if there is a positive outcome or positive feedback from the community, the Finance Working Group will be recommending it to the council in Durban. And that in the interim, we'll be able to provide to the community any documentation to support it, which would include the matrix and however we're going to present the numbers that ICANN has done. I don't think that it is unreasonable in terms of the timeframe to get there.

Now, of course the community may say disagree and then that will no doubt change the timeline, but we've been keeping this community well informed along the way. I don't think there's anybody in the ccNSO is going to say that oh, this is a surprise. And I don't think that anything we've done here is unreasonable. I think that we've gotten ICANN to take the global expenses off the table. They have presented shares that are reasonable, specifics that are reasonable. They have bought into the notion of a value exchange and that's something we haven't really been talked much in detail yet. But I think there's a big opportunity to highlight that in the work that this community is doing.

If we do that well and message that well, I don't see why we can't come to a recommendation in Durban. Mathieu.

Mathieu Weill: Just a clarification. In your scenario, would you expect a ccNSO council vote by Durban? Or would it be putting the recommendation on the council table in Durban and then leaving some space for feedback on the wider -- from the wider community until a later vote from the council? Because I think that's two scenarios where that this -- there needs to be messages sent out to other communities rather than the participants first of all, ICANN meeting participants through our ccTLDs that not regularly participate to ICANN meetings. It is time needed to interact with the board, to interact with the GAC. There will be I think an interest in at least one exchange with the GAC, one point on the GAC ccNSO agenda on this.

So maybe a scenario where we put a recommendation on the table by Durban. It is discussed with various stakeholders in Durban and then there's some time together feedback and later vote by the ccNSO council maybe would be more reasonable, more achievable. And it would -- I am -- I have a slight concern that if people push back because they feel it's suddenly exploding and we haven't had time to look at these recommendations precisely. Lesley certainly has a better view than (inaudible).

Lesley Cowley: I have two sort of thoughts on this. Wouldn't it be nice not to be talking about this because we've been talking about this for so many years and it's waiting for information for so long, et cetera. And I think we do have a window of opportunity

for getting it done and dusted and sorted and packed away. But equally, I think for somebody who hasn't been following this conversation for as long as we have, it's still going to come as a shock and they're still going to need to do some thinking and so on. So, I think I'm with Mathieu in the sense that even though this has been on the agenda for a long time, people are going to need to do some thinking about it and finding too the route for it. And that sometimes takes longer than maybe one would like.

Mathieu Weill: That would still be meaning for the group going into promotion of the recommendation mode and no longer working on the recommendation (inaudible) report by Durban and making this major shift that we get into selling mode and no longer into forensics.

Byron Holland: All right, well we don't want to rush into anything here. So duly noted. Maybe I'm an optimist. I would like to be able to present a recommendation in Durban that makes clear what the Finance Working Group thinks or its opinion. If we need more time for socialization in that we can't present and get a vote then potentially so be it. But I think this working group should be in a position to make a recommendation by Durban. Start signaling this ICANN meeting, both internally and the ccNSO in terms of being able to provide the updates that we can as well as given the opportunities in the coming meeting that we have with the board, et cetera, to start signaling this and setting an expectation that a recommendation will be coming forward in Durban, but not necessarily about until we've had such time to socialize it. Does that -- ? Keith?

Keith Davidson: What about the opportunity to socialize through webinars and the intervening -- I mean I know it's a very short intervening period, but just to get a discussion going, maybe having center and APTLD and others organize the local groups, which may involve ccTLDs that are not ccNSO members doing a webinar of an hour or two and just talking about the issue, maybe that would give additional comfort going into Durban to -- and be more prepared to make decisions.

Byron Holland: I think there's a number of tactics that we could use. That's certainly a good idea. I guess my sense is we can probably bring the ccNSO along because Dave heard where we're at and the issues every single meeting for the last two years. That's not necessarily the case for a point with some of the other communities. And that's why I say I think internally we should be able to get to the point of recommendation but perhaps we need a little more socialization time which would theoretically take us -- where do we go after that? (Inaudible)

Bart Boswinkel: May I suggest we take this bit offline and see where we can have the shared strategy with Xavier?

Byron Holland: Sure, so just by bringing Xavier up to speed, we've been having some discussion about making the assumption that we have agreement on what that bottom right number is and you haven't necessarily seen it, but the banded model that we're going to use which we're going to update and refine to reflect a much more diverse ccTLD community. Making the assumption that we get to conclusion there, which I think we're close, then how do we start to roll out the message so that we can, in our world the successful conclusion is a positive vote by the council saying yes, this is the path that we want to take forward.

Feedback that we've had internally here is that doing that in Durban might not provide enough time for socialization within the other communities in particular, be it the GNSO, the board itself, the GAC and that ideally this working group would be in a position in Durban to be putting recommendation forward, though not necessarily a council vote on it. What are your thoughts from a manager and a board perspective in terms of any expectations or feedback that you may have heard?

Xavier Calvez: I think from an ICANN management standpoint it's -- let me put it this way. I think it's a little bit of a formality to -- for me and Bart to just feedback (inaudible) and Fadi and say where we're at, what we've done, the model, the ending result, an overview and expecting a complete agreement to just in forward. And I think what they will care more about is that there's an agreement from a ccNSO standpoint. And then I think they will also care about how do we socialize that across the communities because you just mentioned what is the success and completion from your perspective. From my perspective it's communication and if not agreement, at least acknowledgement of the result that ICANN and the ccNSO together have reached.

Which I mean with a multi stakeholder (inaudible) I'm not expecting that everyone who's been saying (inaudible) let's celebrate, but at least if there's -- okay, we've moved forward, there's a process that's been completed. I think that's a substantial satisfying conclusion. So management I'm not worried. I think the board -- I've communicated since Prague last year with the board on a fairly regular basis. The BFC first and then the board, so the board is aware that there's a process. Like everybody else I think they're just waiting that it gets completed. So I'm not worried with that part of the socialization of the idea and the model. I think they are just looking for completion. I would say merely whatever the amount. I think they want the process to be completed under the assumption that the process has been a collaboration between us and that we all agree.

Byron Holland: Thank you, Xavier. Mathieu.

Mathieu Weill: I think Xavier made an important distinction about what the target outcome and success criteria are. Of course the approval by the ccNSO council is our mandate. But I think we can set an even higher expectation of ourselves if we say basically the goal is that this discussion is closed for years. Like five years. Let's say five years. And no one challenges it anymore for five years. And we don't have to convene another Finance Working Group for five years.

To reach that, we need a ccNSO council approval. And we at least need, what Xavier said, acknowledgement by other constituencies or even if we want to exceed our expectations we have a board vote or we put it into the bylaws, whatever you call it that just puts the issue at rest. And that is why I was mentioning the fact that we need to take time before the council approval to make sure the ccNSO council approves something that is accepted by others and puts -- and closes the discussion. That is I think would be -- there was no willingness on my side at least to delay the approval. But I want this approval to be final. And we can spend a big part of our Sunday afternoons at ICANN meetings going forward visiting things.

Byron Holland: Perhaps I was overly exuberant. Okay. So recognizing that we have one minute left in this meeting, I think we've had -- we made very good progress with ICANN, as we've already talked about. And within this meeting we have a path forward, which is comprised of a few elements. One is Lise is going to do a deep forensic dive into the bowels of the ICANN GL.

Unidentified Participant: (Inaudible)

Byron Holland: Yes. And I'm going to leave it to Lise and Xavier to find a date while we're here to get comfort around that. I am going to put forward a straw man matrix in terms of the bands and solicit feedback, so I'm hoping what I put forward will be entirely reasonable and the feedback will be all positive. And we're also going to have to work towards what is a more detailed communications and outreach plan. And I'm going to need to think that through a little bit more and also take feedback

that we can talk about over the course of this week. And any written feedback, please feel free to communicate with me in terms of any suggestions there.

So those are the core go forward activities that I see. Bart?

Bart Boswinkel: There is one, and this is more for us in this case as ICANN staff, is if you look at the framework is -- not the details, but is making it more time sensitive say over a five-year period what can we expect (inaudible). What we discussed while you were in the room, say Mathieu's suggestion.

Byron Holland: Xavier?

Xavier Calvez: From the perspective of getting feedback on a way forward, a suggestion on communication. I want to make sure that on our end we have a consistent communication approach and message. And so it will be helpful to me to understand what you intend or think needs to be shared with who and when so that I'm having a consistent approach. So let me take an example, if I come out of this room and talk to Chris and Mike, and they ask me so where are we at, I want to make sure I don't say anything that's inconsistent with what message we will want to have in an official Finance Working Group standpoint. So I'd rather be (inaudible) that you can I can connect on what the outcome is so that we can synchronize that.

Byron Holland: Okay. Fair enough. So Lise, you're going to do further validation. I will put forward a straw man matrix. I seek further input in terms of communications tactics. And Xavier is going to put together a couple of scenarios that extend this framework. I think we're satisfied with the framework we see, but extend it over time. Is that the path forward? Okay. Any final comments?

Hearing none --

Lise Fuhr: Sorry. It's not a comment, it's a question.

Byron Holland: Lise.

Lise Fuhr: Are we going to discuss your model in a phone and in a conference call or how are we going to do that? Just email?

Byron Holland: We will have some unknown yet the number, but we will certainly have ongoing Finance Working Group conference calls between here and Durban.

Unidentified Participant: (Inaudible)

Byron Holland: And I'll work with staff to put that -- the timing of that together. But without a doubt there'll be a couple of Finance Working Group calls between here and Durban. But the one thing, as I always -- I do regularly say please feel free to send me feedback. I rarely get any, so please, feel free to share your thoughts and inputs with me in the interim.

With that, I will call the meeting closed. Thank you very much.