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JOHANNESBURG – Operational side of ICANN's OPS Plan and Budget

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ICANN59 | Johannesburg, South Africa

GIOVANNI SEPPIA:

Okay. Good afternoon, everybody. My name is Giovanni Seppia. I'm the external relations manager tier lead, and I have the pleasure to be the chair of this cross-community session about the operational side of the ICANN operating plan and budget.

The history of this session is that the -- I'm also chair of the cross- -- of the ccNSO Strategy and Operating Plan Working Group. And about one year and a half ago, after we've provided a lot of input to the ICANN operating plan and budget, we thought it would have been a good idea to have a cross-community session to understand the dynamics behind what are the different departments of ICANN, the strategies, the new approaches, the planning process. And, therefore, we thought that it would have been desirable to have this kind of session with those in charge of the different departments at ICANN rather than keep asking those kind of things to the CFO of ICANN and his team.

And so the first operation -- the first session to go through the operational side of some areas of ICANN took place at the ICANN policy forum in Helsinki last year. It was very successful, very well attended. And the objective of today's session is to continue this dialogue with the different department of ICANN and have more

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engagement, and try again to understand what's behind what we read and see in the operating plan and budget every year.

It's also a good way to be up-to-date, because there are new strategies, like recently there's been this post by the ICANN CEO on the new hub strategy, and it could be -- you know, it's interesting to see sort of a -- and listen to a sort of summary of those topics during this session.

There are three main topics for today's session, and there are three moderators, brave moderators, who have accepted to moderate each of the sessions.

So the first session is about the PTI budget and the long-term planning. The second is about the ICANN international engagement and the ops strategy. And the third one is about the new gTLD program, touching base on growth estimates and planning.

And as I said, each of them as a moderator. For the first one, the PTI budget, the moderator is Andreas Musielak, managing director at DENIC. For topic number two, the ICANN international engagement, the moderator is Desiree Miloshevic of .GI. And for topic number three, the new gTLD program, the moderator is Michele Neylon of Blacknight registrar.

And I would like to thank all ICANN staff who has accepted this afternoon to be here and provide us updates and information about the way they are managing their own departments, the way they are

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planning, and the way they are feeding into the operating plan and budget.

So each of the sessions will last about 20 minutes, and it will be up to moderator to manage possible questions from the audience and also from the remote participants.

There are some mics around the room, so please make yourself known before asking a question, and get close to a mic or wave so that the mic can come to you.

That said, thanks again. I'll leave the floor to Andreas for the first topic.

Thank you, Andreas.

ANDREAS MUSIELAK:

So good afternoon also from my side. Giovanni already introduced myself, so -- he very close pronounced my last name, so -- very, very close to it. So it's Andreas Musielak. I'm with DENIC, the registry for .DE.

So the first topic, as he mentioned, is PTI budget and long-term planning, and I'm also a part of the SOP working group, and we have a lot of insight into the budgeting planning of ICANN. And what we can see, and that's why I want to encourage the audience to raise question after the presentation we will see later since this is a format which we want to have at the next ICANN meetings, too.

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So basically I think this, as I mentioned is another feedback loop and I encourage you to raise some question.

So now I would hand over to Elise which will run us through the presentation.

ELISE GERICH:

Thank you, Andreas. So I notice there are quite a few familiar faces in the audience, ccNSO and GNSO particularly. Some of this you've already seen, so I hope you won't be too bored.

And do I move my own slides or do I ask someone to move them? Next slide. That works.

Basically to talk about the PTI budget for FY19 planning. I'm going to talk about the requirements for that planning, and then we're going to give you an overview of the FY18 budget which is the budget that starts on July 1st of this year 2017, and then what our planning is in the general cycle and the long-term planning.

Next slide, please. So for the FY19 budget which is in the planning stage now, we are following along with the PTI bylaws, and that's section 9.2. And as you can see, we have to have a PTI budget approved and ready to submit to ICANN in advance of the fiscal year that starts in FY -- for FY19, which would be July 2018. So we're already starting the planning for this budget.

The other section that we must do is that we have to consult informally with the community in advance of drafting the budget and

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in advance of putting out a public comment with the draft budget. And that's why the ccNSO and the GNSO have seen these slide decks, because I spoke to them earlier this week. We've reached out to the RIR executives to get their feedback. We've also talked to the other -- the protocol parameter community and have received feedback from them in the informal consultation of the types of things they might think that we should include in our FY19 budget to enhance the services that we provide.

Next slide, please.

So I don't know if you can see this well enough from the back of the room, but this is the current FY18 budget which will start I think on the 22nd of July because of the timing of the new bylaws and the Empowered Community rules. But anyway, this shows the PTI budget. The top part, which is the bigger section of the graph in front of you, is the actual PTI budget. The bottom part is the additional budget which is called the IANA department budget. So what happens is PTI develops its budget. The budget is submitted to the PTI Board. The PTI Board adopts the PTI budget. Then PTI submits the adopted budget to ICANN for the ICANN planning process, at which point ICANN, if there are additional services that are going to be spent on IANA functions, adds something to the budget. In this case, the root zone maintainer agreement. That's what you see as the .4 million there. That's added. That becomes the IANA budget, which is within the ICANN budget and gets adopted by the ICANN Board.

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So if there's anyone in the audience that can repeat that, good. I'm glad. I hope it was clear.

So if we could move to the next slide, please.

Hello. Next slide, please.

Okay. There. It's there.

Okay. So this is the timeline for preparing the PTI budget. I'm not talking about the ICANN budget in this slide but the PTI budget.

So basically where we are is in that aqua bubble where it says June 2017. This is where we're doing the informal consultations with the supporting organizations and the advisory committees, and we're collecting feedback that we'll take under consideration for when we actually draft the FY19 budget.

Then obviously we draft the budget. It's the normal cycle. And at the end, we have a budget. It gets submitted.

Next slide, please.

So in this consultation, folks have asked us what are some of the ideas that we, PTI, have had for our FY19 budget. And I've listed three of them right here. It's continuation of a project that we have in flight. This is a three-year project. FY19 would be the third year in the three-year project, to re-architect the Root Zone Management System. It was developed back in around 20-- 2009, and it's very monolithic at the moment, and we're implementing a more modular system.

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Also, we've had a lot of input that the interface for the Root Zone Management System would be improved. So this is a suggestion that we have for the FY19, is to make a more user friendly customer-facing interface. And another idea we had was to refresh our iana.org website.

So we are currently seeking suggestions on other projects that you think that PTI might undertake that would require resources so that we can consider those as we're planning for our FY19 budget.

Next slide, please.

So this is the -- basically the standard ICANN planning cycle with the addition of PTI. So PTI is on the left side as you look at the screen, and the ICANN piece is on the right side as you look at the screen from the audience.

And as you can see, basically we have a strategic planning cycle which then determines or operating budget, and then performance and reporting. And that feeds, then, into the ICANN planning process. And what we've been doing is that we're in our very first year as being PTI, about nine months in, and so we are aligning ourselves with the ICANN five-year strategic plan and have -- and that is aligned with the objectives and goals that ICANN has set. And if you look at the operating plan and budget we're under, 2.1, which is unique identifiers.

Next slide, please.

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So, basically, PTI participates in ICANN's long-term planning cycle. We've integrated ourselves into the five-year strategic and operating plan. We're included in the annual operating plan and budget. And there is a discussion under way to -- because PTI has been assigned a four-year strategic plan per the proposals that came out of the CWG, the CRISP, the IANA plan, and was made into the proposals to the U.S. government. And as you probably know, ICANN's strategic plan is a five-year cycle. So we're looking at how to align ourselves, that four-year cycle with the five-year cycle. Right now we're operating under an FY17 to FY20 cycle that aligns with ICANN's.

So I think that's my last slide.

May I turn it back to you or are there any questions from the audience? Giovanni Seppia.

ANDREAS MUSIELAK: Any questions from the audience? Okay.

Please tell who you are for the record.

HEATH DIXON: Heath Dixon from Amazon registrar. Two questions for you. One, I think the numbers on the fiscal year '18 budget showed 5.8 million or so for personnel, and that was for 22.6 FTEs so that works out to, I think, just over 250,000 per person. Is that accurate?



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ELISE GERICH: If you did the math, that's probably accurate. But, yes, that would be fully loaded.

HEATH DIXON: Okay.

ELISE GERICH: And that personnel account is not FTEs. It's equivalents. It's not individuals. And what we have in the budget for personnel is the actual number of people who work on -- and are dedicated to the IANA functions as well as shared resources that we get from ICANN. For instance, we don't have our own HR department or own finance department. We don't have our own facilities. All of those are -- well, they're not people. Facilities. Excuse me. But there are HR people and there are finance people and legal. So all of those, the shared portion that aren't dedicated to us get allocated to our budget.

HEATH DIXON: Okay. Second question is you we're asking for ideas for projects. I'm wondering for those 22.6 people, is that all developers and engineers or does that include in that fully load -- the portions of cost for the other, like HR, legal, those other resources?

ELISE GERICH: Yes, it includes those portions of people from the other departments. As for development resources, we have very few. We have only two dedicated developers within the PTI budget. We share resources from

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I.T. and the engineering department within ICANN, and so we get a portion of that budget -- or funded for development for us. Does that make sense what I just said?

HEATH DIXON:

Well, I think I understood it. So your saying out of the 22 FTE that are assigned to PTI, two of those are -- account for -- two FTE account for two full-time developers that you have assigned, and the other 20 --

ELISE GERICH:

Okay. So within PTI, the dedicated organization, we have four IANA specialists who are the people who handle all the requests, the transactions that we do. And we have one open position there. So that's five.

We have two cryptographic key managers who handle all the key signing ceremonies. We have one director of -- or, I'm sorry, manager of continuous improvement. This person manages all our process work flows documentation, customer satisfaction surveys, and our third-party auditors.

We also have a manager of engagement with the protocol parameters group, which is the IETF, and this person is dedicated to the managing that relationship. We have also a manager for the IANA func- -- or the IANA specialist. So that makes them six all together.

We have a director of security. We also have a director of technical services. And then we have me. And then we have one dedicated

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software developer from ICANN, which we count as our dedicated person who works with our director of technical services.

HEATH DIXON: Thanks for all that detail. So then are the two people the ones who would be working on those projects or does it include more of those other?

ELISE GERICH: So part of the reason for asking for ideas for projects is then we have to go back to ICANN, to their development team and say, okay, these are the projects we want to do. We want to scope how many resources we need to borrow from you for the shared resources. So this three-year program I talked to about the enhancements to the Root Zone Management System, there's a development team within ICANN that's assigned to work on that project with us.

HEATH DIXON: Okay.

ELISE GERICH: So if we have other projects where we would need additional resources, we would be going back to ICANN, and then we would get that budgeted for us.

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HEATH DIXON: Got it. So then that gets me to my second question, which was are those projects that you listed included or covered by the 22.6 headcount or FTE or would you need additional FTE to cover all those projects that were listed plus anything else that was added today? Or not today but in these discussions.

ELISE GERICH: So the root zone management project, the one that's the three-year project, we think they're covered right now, but we're only in the second clear -- beginning of the second year of that project and we don't know if we'll actually state a target or not. So we may need additional resources. It's kind of look looking at a crystal ball right now for that project.

The other two are projects that are on our radar but aren't funded at this time.

ANDREAS MUSIELAK: So any more question or since we now know the setup of the team, any suggestions for projects for FY19?

If not, I have a couple of questions for you.

ELISE GERICH: I'm sorry. He asked me a question.

ANDREAS MUSIELAK: Don't worry.

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ELISE GERICH: I'm paying attention now.

ANDREAS MUSIELAK: Okay. And so basically you stressed there is already a couple of projects in the pipeline. Can you explain a bit about that?

Thank you.

ELISE GERICH: So I -- I did talk about the Root Zone Management System project which is in our pipeline. And primarily what it is is a re-architecture of the of the system that automates the processing of requests for changes to the root zone. And right now it's a very monolithic system, and it's a multi-year project and it has phases to move from the monolithic system to the modular system without disrupting the ability to handle the requests.

The second multi-year project that we have under way is related to the protocol parameters, and right now we're redesigning the registry work flow for maintaining the registries for the IETF and the IAB. And that's a program that's just started, and we're in the early design phases, and we're collaborating very closely with the IETF on that project.

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ANDREAS MUSIELAK: One last question, and it's probably for Xavier. You mentioned that the ICANN budget follow a different cycle than the PTI budget. Are there any idea of combining or to make it harmonized?

XAVIER CALVEZ: Thank you, Andreas. This is Xavier Calvez, for the record.

So the -- the current distinction between the two processes for PTI and for ICANN is that the PTI process happens earlier than the ICANN process. They -- Until the transition or until before the transition, those two processes were fully aligned from a timing standpoint, and the transition proposals of the CWG who worked on them, after approval, require that the PTI budget is developed and finalized earlier than the current ICANN budget is. And the timing requested in those proposals was that this -- there is a draft budget submitted nine months in advance of the fiscal year that it pertains to.

So if you use, for example, July 1st, 2017 as the beginning of the FY18 fiscal year, the budget that Elise showed a little bit earlier was submitted as a draft, actually, the 28th of September, 2016. Nine months ago. And that's the requirement of the proposals of the transition, and it's embedded in the bylaws.

So to conclude on your question, no, there's no intention to try to synchronize the two together.

ANDREAS MUSIELAK: Exactly.

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XAVIER CALVEZ: They're desynchronized by design.

ANDREAS MUSIELAK: Okay. Any further question from the audience?

If not, I think we all know that Elise is leaving soon. I think it's time, I think we need to thank Elise for the work she did for the community. And I think that's big applause. Thank you.

[ Applause ]

GIOVANNI SEPPIA: Thanks a lot on this, and thank you, again, to Elise and Xavier. The second point is about the ICANN international engagement, and it's going to be moderated by Desiree Miloshevic from the .GI. Thank you, Desiree.

DESIREE MILOSHEVIC: Thank you, Giovanni, and good afternoon, everyone. Welcome to our session where there is an opportunity for community to provide input straight to the ICANN executives where they think of how the ICANN international strategy's implemented and how that translates into the ICANN overall budget. And so before -- since we have about 20, 25 minutes, I will probably just start with asking either Sally or Patrick to give us their view of where they think they are and what is the room for improvements. And then we're going to solicit some questions,

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comments, and further feedback. This is the second session of this sort. The first one started in Helsinki last year, and I think it's good to note, for those who have not read this, that there is a standing ccNSO strategic working group that is looking in this issue in particular, provided some comments as well.

So with that, I will also ask Sally perhaps to start first and maybe -- and tell us a little bit about his recent -- recent blog post from the CEO of ICANN where he explains how he's managing the offices and how they moved from a three-hub organization into different centers, partnerships, and what is the third model, engagement centers.

SALLY COSTERTON: Thank you, Desiree. I'm just thinking about the best way to do this. Shall I answer that question when I get to that bit of the presentation? Is that okay?

DESIREE MILOSHEVIC: That's fine with me.

SALLY COSTERTON: Okay. So on that basis, I'm actually going to start with Patrick and then I'll come back. Is that okay?



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PATRICK JONES:

Thank you, Desiree. We're going to build from our discussion in Helsinki and in Hyderabad where we presented a briefing on the global stakeholder engagement team.

If you'll go to the next slide, to start with the position that the engagement function is much broader than the work that is done by our global stakeholder engagement team. There are other teams that do this work. We'll start with Cyrus and his registry/registrar engagement team. We also have engagement work that is done from the public responsibility support team. Our office of the chief technology officer, the security, stability, and resiliency team, with the work that they do on capacity development, training, engagement with public safety entities, and as well as our government and IGO/NGO engagement work. There are other ICANN programs that are connected to this engagement function and the ICANN community also has its role in this engagement work. Next slide.

So from a global stakeholder engagement team perspective, we've tried to tie our work very closely to the language that's in the new mission and bylaws. And a core principle of that is to make sure that all of the work that we do is aimed at attracting active, informed participants in ICANN's policy work and its technical mission. Our work fits under two of ICANN's strategic goals, further globalized and regionalized ICANN functions and bringing ICANN to the world by creating a balanced and proactive approach. For FY17 we divided our work into five main areas to actively solicit input in ICANN's processes, foster stakeholder confidence in ICANN's technical mission, understand plan for stakeholder needs, enhance our capacity

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development efforts with new and existing stakeholders, and ensuring diversity in engagement with the stakeholders. And we've done this because for many years much of our work has been focused on representing ICANN at different meetings and events, trying to educate and raise the awareness of ICANN's role in the Internet ecosystem, and while it did include trying to bring in new participants into our policy development processes working groups, a lot of our work was -- particularly around the launch of the new top-level domain program and the IANA transition was that representation, doing education awareness, and answering questions from a broad spectrum of the Internet community.

Now that the transition has passed, we're shifting our emphasis into driving active participation in our policy work. So if you go to the next slide. This has been where we're -- we're really trying to focus on the outcomes that we get from our engagement. I think Sally, I'll turn it back to you to talk about the international office strategy.

SALLY COSTERTON:

Thank you, Patrick. Next slide, please. So just to give you -- and this is absolutely to your question, Desiree, I have responsibility on the ICANN leadership team for our global stakeholder engagement team, and I'll show you in a minute where they're based, but also for our public responsibility team which used to be called DPRD. And it's just July 1 actually it's officially being renamed. And also for our meetings team. And what that's given me is the ability, as Patrick put it well, to take a more strategic view, also with some guidance I've got to say

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from the ICANN board who have been very encouraging and help -- Rinalia's in my gaze here, so she's reminded me of that. But they've been very, very encouraging in helping us take a more strategic view that is more outcome-focused and is helping to support not just our representation requirements and our mission and bylaws and to improve those but also to address that very, very key issue of improving and increasing the amount of volunteers that are ready to support the community. And we know that volunteer burnout is a really big issue and in most parts of the community there is a real shortage of well-qualified, motivated people who want to roll up their sleeves and share the work.

So we occupy ourselves, and I'm now in a bit happy, unique ability perhaps from a management perspective to see those right across the piece. That's been very helpful in that process. And part of that is the - - inevitably is the feet on the ground at ICANN, if you will. And this is where we are. This is really a summary of the blog that Goran posted. So we now have five regional -- key regional offices, we have our engagement centers, and we have our partnership centers. Now, the primary difference between them -- and I don't want to spend too much time on this because it could be a very long conversation -- obviously we have our office in LA and we have service support providers to stakeholders around the whole of that time zone as we always have done, primarily out of LA, but we will increase our emphasis in Montevideo through the leadership of Rodrigo De La Parra, who is also our regional engagement head for Latin America

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and the Caribbean region. And more on that as those plans become more solid, but that's the intention.

Similarly we -- as you know, we will have a new office head in our office in Brussels. And that is the same goal, to make sure that we are maximizing our support for our European stakeholders in close partnership with the support team Istanbul who have been set up for really quite a long time now to provide a wide range of services to our EMEA, in time zone terms, stakeholders. So a good collaboration will be necessary between Nick in Istanbul and Jean-Jacques in Brussels to make sure that that is done as well as we possibly can. So greater internal coordination. I mean, we met this morning, for example, this group, to discuss exactly this point and how we're going to do that. You're pretty much, I think, all familiar with the operation in Singapore. That stays pretty much the same. Sir Jia-Rong is still leading that. That combines both an engagement center, if you will, engagement function and also services as a support hub.

We have our office in Geneva and in Washington, DC which are specifically focused on targeted stakeholders who are gathered in large numbers in those cities. Those, of course, have been there for a while. And then finally we have our partnership centers, and I think we will update this slide actually because I think we probably, in fact, have finally settled on the Seoul operation will be one of those instead of an engagement center. The Brussels will be a regional office instead of an engagement office. So that's just a final tweak to the diagram. Next slide, please.

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The engagement team, this is the regional vice presidents in the global stakeholder engagement team are based here. So you can see that there's quite -- there's a high level of correlation between the first and the second, but they are not exactly the same and they are not intended to be. But there is a close level of coordination between the two. And this has been pretty static. We haven't changed the size of this team for probably at least two years. And that's at full capacity. We would always like to add more here in the sense that, for example, we don't have anybody here in South Africa and that is something that we would like to do in the medium term. We have huge -- we have three staff in Africa and 54 countries and that's a big ask. Particularly when, you know, we have a lot of stakeholders coming through in Africa that want support and want help. But that's always going to be those -- pressure is always going to be there, and the prioritization needs to constantly go on at the ICANN org and community level as to where the dollars should be put. Next slide, please.

The next thing I just wanted to talk about before we go to Q&A is measurement. And I wanted to thank this group very much for this. Not that we didn't measure things. We always have, but it's as a result of the dialogue that we've had at these meetings with this group that it became quite clear to me towards the end of last year -- well, certainly at Helsinki and definitely in Hyderabad, that we needed to significantly upweight our African investment in a measurement and planning capability so that we can do a few things. And I just wanted to tell you broadly what we're doing. I have Jeannie -- Jeannie Ellers who is the head of this team, she's on the line from Los Angeles. So if

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anybody has specific questions about this function, she is available to answer them in the Q&A.

So you said to us, and many other people said to us, Sally, how do we know that we're doing the right thing? How do we know that the money we spent on engagement is turning into volunteers? Question one. Question two, how do we know that they're turning into volunteers that's all useful to us, us being the wide broad community. How do we know -- how do we make sure that they stay? We see lots of people coming in, but we don't necessarily see them either turning into volunteers or turning into volunteers that come to my SO/AC structure that are helping with my work group. Then they'll say, are we getting the right people to ICANN? Are there enough women? Are there enough transgender people? Are there enough people from -- that come from different stakeholder groups? Are there enough people from different countries? Do we even know what the zero benchmark is? Do we know what the target is? How are we getting on? These are all key measurement questions. And they go to the heart, and somebody said to me in the GNSO this week, this literally goes to the heart, not just to the legitimacy of ICANN and its ability to demonstrate that it is living up to its mission. And in this case I mean living up to its mission, not working within its mission because its mission is demanding but also that multistakeholder model that we love, that we treasure here, is sustainable into the future. And I feel like that weighs a little bit heavily on my shoulders as a responsibility for us and for me and my team.

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So if we just go to the next slide, this is taking two main areas, or three actually, here we are. Which are here. Firstly is making sure that there is clear planning, that we can communicate to the community, where there's a dialogue going on with the community that allows us to prioritize the critical activities. And to this point, we will be publishing for the first time, early in FY18, which is the next really month or so, the engagement plan globally and regionally. And I don't mean the regional community engagement plans. I mean the KPIs and the metrics that go with those plans. Both the community plans and the -- the coming together of the staff work and the community work. And this, I hope, will be done. And we have tried very hard to make these smart goals. We have tried very hard to align them to the strategic plan and the mission. And we have tried very hard to create them in a -- in a cascade so that you can see -- everybody can see how the goals roll up. So they roll up regionally and they roll up globally. And this sounds easier than it is. But I'm very grateful to everybody that's participated in that process. And it's learning for us, too. Actually goal-setting is not that easy, particularly setting smart goals with key performance metrics, key indicators. And this was something that you asked us to look at, and we -- we're looking forward to delivering that.

Finally, we are making progress. We're making actually -- next slide, please -- quite a lot of progress in the Holy Grail question of measuring the participation. Where is everybody going, where -- where are they now, and are they where want them to be in enough capacity. Now, so can we move to the next slide, please? I just wanted to let you know that this is one of those things, it's like an iceberg. There is an

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enormous amount of ice under water and a little tiny bit above. And the tiny bit above is that Holy Grail metric. It's the overall -- I think we said in the GNSO, it's the engagement model. And somebody said to me in the GNSO meeting, we would like to know exactly who is at which stage and how much all of it costs and basically, what do we get? Which is a pretty good question. It's a pretty good question. And I would love to be in a position to do that. And we're getting -- we're make ago lot of headway. Since we first saw you in Helsinki, we're now at the stage where most of our engagement data, almost all of our engagement data, of actually activities going on now is going into Salesforce. We're able to measure all our events. We event people through Salesforce to events so that we're able to do satisfaction surveys and so forth. Next slide, please.

And it is allowing us to mesh together the plans and the activities at a sort of very detailed level so that we are -- we should be in a much better position to issue reports by region, by stakeholder group, by type of activity. I'm sure you're all very familiar with how -- how these databases work.

The final piece of this which I think we're in the final stages of sorting out internally is the provision of what I'm going to call participation data. So, I mean, it's obvious, but we clearly need to be able to -- when people join working groups or they go on review teams or fellows turn up here or there, obviously we need to know. We need to put that in the same database so that we can complete the -- that Holy Grail metric. And we're nearly there and that's the last piece in the



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jigsaw. So do please keep asking us to come to these meetings, and each time, hopefully we'll be there sooner rather than later.

So I just wanted to thank you for your taking -- you know, taking the time with us over the last sort of 12 to 18 months to really help us to understand priorities. I hope that you're encouraged with the level of effort, investment of time that we've made in this -- this process. And I really do think it's in everybody's interests. And the community members themselves have been incredibly helpful and encouraging in that process. And please, please do continue to do that.

I think that was the last slide, wasn't it?

DESIREE MILOSHEVIC:

Thank you, Sally and Patrick, for trying to answer some of these, as you say, very hard questions.

Something must be obviously working since ICANN is getting a lot of staff and a board member for the Fellowship program that you have. But some things probably have a room for improvement. So we would be looking very much forward to your next report in a month's time, so very happy to hear that.

But let's open the floor to the questions to people in the audience. And is there any -- are there any online questions? Not at the moment.

PAUL WILSON:

Good afternoon. Paul Wilson from APNIC. I just wanted to mention that for many years now, APNIC has been grappling with the same

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challenge of tracking and evaluating and improving community engagement. It's really nontrivial. It's taken a lot of work. We've got a lot of systems in place, and quite recently we've -- we've started implementing Salesforce. It's very interesting to see that you're using it, too, and to hear it's producing good results for you.

So I just wanted to mention that I think we shouldn't underestimate the challenge and the importance, the potential value of doing the sort of stuff that you're doing, and we'll definitely be in touch and hoping to learn more, particularly about Salesforce, but how you're using it and what's showing.

Thanks.

DESIREE MILOSHEVIC: Thank you. We have another question from the floor.

RENATA AQUINO RIBEIRO: Hello, I am Renata Aquino Ribeiro of NCUC, Latin American-Caribbean representative, and I just wanted to address the -- the ideas about engagement. Latin America has had quite difficulty in becoming engaged in the last years due to the changes in the calendar as well, but I believe that we have been working harder and harder to try and bring in new members. But one of the gaps that including in the IG academy session was mentioned is not only engaging but building capacity. So making people ready to participate in policy development processes.

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So I would like to look -- know a little bit more about this, what is being seen in that -- in that end.

Thank you.

SALLY COSTERTON:

Thank you. That is such a good question. So I said earlier that I have an overview of these three areas, and also I coordinate very closely with all my colleagues in ICANN that run -- manage community-facing teams. So David Olive, for example. And this has -- this has now become my priority, my top priority shall actually, apart from completing this critical metric, is exactly as you say: capacity development, training, skill development. Because we've actually become -- I hesitate to say this -- quite good, actually, of raising awareness of ICANN and bringing people to our front door. But many of you have told me, and I'm very aware of it, that we are much less good as a community at hanging on to them. And one of the reasons, probably the primary reason is that because they don't feel able to participate. And when you look at the mission and you look at the guiding principles, it actually tells us what to do. It literally tells us we must equip people with the skills to participate effectively. And that's exactly what you're talking about.

And we've always done a lot of capacity development across ICANN, the ICANN community. We often call it many different things. Some people call it capacity building, and so on and so forth, but we all broadly mean the same thing.

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And what we've done, what we kicked off earlier this year in -- just internally, which one of my colleagues here, (saying name) on our behalf, was an end-to-end review inside ICANN org of the capacity development that we are delivering at the staff level, just to try to work out exactly, you know, how do we do more without breaking the bank? How do we do more, and how do we drive effectiveness? So what is the role of face-to-face capacity investment versus online learning? What is the role of regional sessions versus global sessions? What role do ICANN meetings play, and so forth?

So I'm hoping later this year to use that very early stage information to drive a much wider community discussion about this subject, because you're quite right. You know, this is also part of the regional office strategy.

One of the things that Goran asked us to look at when he first came on board was what he called demand-led engagement. How do we make sure that stakeholders in the region have what they need. And one of the -- and I can tell you what they mostly ask us for is capacity building and capacity development. So it's a critical part of delivering our successful goal -- of delivering successfully, you know, qualified volunteers that not just know how to participate but that want to participate.

So a very important priority, and thank you for raising it.

DESIREE MILOSHEVIC: So we have a few more questions that we'll take.

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We'll take another two so we're running a little bit out of time.

So we'll start with the gentleman here, with number 3.

HEATH DIXON:

Hi, Heath Dixon. I really want to commend you for the work you're doing. It's very important and I love the fact that you're focused on gathering data and then actually publishing the data. I think that's going to be super helpful.

Is there going to be a mechanism for the community to comment on the KPIs that you all start publishing and other KPIs that we'd like to see? I think there's a lot of interest in making sure that we're getting engagement in different ways. So I think the community would probably like to comment on that. So I'm just wondering is there going to be a mechanism for us to make suggestions on what you're measuring and what are the things you might consider measuring?

SALLY COSTERTON:

Sure. I mean, we're not going to put it out for public comment. That's not what you're asking, I think.

Absolutely, we're all in this together. Engagement is for all of us. You know, there's no point -- Apart from anything else, one of the things that we want to do, I'm planning to do in much more detail, if that's the right word, is to have some of my team spend much more time with the community groups, maybe with the outreach parts of those groups or whoever you nominate to get a really detailed

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understanding exactly what you need in terms of volunteers, by skill, by expertise, by, you know, qualifications. Because you're all different, you know. There's some things you all have in common, but there are many things that are different. You may have regional gaps you want to fill, you may have skill gaps you want to fill. And we need to, I think, do a much better job of trying to make sure that the -- the engagement and capacity-development exercises actually deliver that, what you need at the end of the process.

So that's a very good example of when we publish the KPIs, absolutely we want to hear what people think, and there needs to be -- we need to make sure that, to the best of our ability, there's a really good match between those two sides: what does the community need to have at the end of this process, the deliverable if you like, versus what do we -- how are we building the system to deliver it. Does that make sense?

So absolutely we'd like to get people's input. Happy -- it will be public, so happy to engage in a dialogue around that. Not an issue.

DESIREE MILOSHEVIC: Thank you, Sally.

I'm going to ask Xavier to make an additional comment. I understand he'd like to reply to that question.

XAVIER CALVEZ: Thank you. Xavier Calvez, CFO of ICANN.

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In support of what Sally just said about the engagement in response to your question, the operating plan of ICANN, whether the five-year operating plan or the annual operating plan, all contain the KPIs that Sally referred to as well as the KPIs across all the organization of ICANN and all the strategic objectives and goals. So the ccNSO SOP working group, for example, has provided numerous comments that provide great directions for the organization to improve the quality of the KPIs during the public comment period on the annual operating plan and budget and on the update of the five-year operating plan.

That public comment period started early March, finished end of April, and that's an opportunity for anyone to look at the KPIs, provide input as to how good or not good they are, how to improve them, and how to use them.

And second, there is a dashboard of those KPIs on our website that can be consulted at any point of time. It is updated monthly, and it contains those KPIs. And on the dashboard you can -- you can also click to be able to provide comments at any point of time.

So these are the two venues to do that. One is specific during the public comment period and will receive a very direct response to what the comment has been on the KPIs or on anything else, and the second is a permanent possibility on the website.

Thank you.

DESIREE MILOSHEVIC: Thank you, Xavier, for that comment.

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We'll take another question. Number 5.

CLAIRE CRAIG:

Hello. Good afternoon. My name is Claire Craig. I am from Trinidad and Tobago, and I would like to start with a comment. First, that I am a second-time fellow. This is my second ICANN meeting. I was at the ICANN 58 in Copenhagen and this one. So I'm fairly new.

So I really appreciate what the Fellowship program is doing. It's helping people like me. I had a coach for my first Fellowship and I also have an alumni coach to help me now, and it's truly helping me to understand the community and to understand -- you know, to navigate my way around what is happening. I would, however, like to share something that I shared at our fellowship meeting earlier this week. You were talking about getting involved in the policy process and understanding the policy process, and one of the things that I noticed and I asked a number of other persons who are fellows and people who have been here a while, the -- there's a -- there are some charts over in the section in the boardroom area, and it's the ICANN policies. But first, to begin, the font is very small and it's very difficult to read. And most people who I have spoken to don't understand what the requirements are.

So while you're doing a lot of good things, there is still a little bit of work to be done in that area. Maybe having someone there who could talk people through why is this here, what is required, and how to engage with it.



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So that's just my comment --

SALLY COSTERTON: Thank you for that comment.

CLAIRE CRAIG: -- on that particular thing. Because we really want to participate, we really want to get involved and know what's happening.

And I also thank you. When I looked at the chart and saw that there were five persons allocated to Latin America and the Caribbean. And I'm really supportive of that because one person there is from the Caribbean in Castries, St. Lucia. So thank you very much.

DESIREE MILOSHEVIC: Okay. So we're just going to take one more question over there at the end, number 2, and close the session.

RAFIK DAMMAK: Okay; thanks. This is Rafik Dammak speaking.

So I have maybe two comment to Sally. So with -- since your talking about the metrics and targets and KPI and so on and trying to engage and bring more people, so I want just to highlight there is effort within the accountability -- CCWG subgroup on diversity, and we have there a lot of discussion on how to improve the diversity within ICANN. And I think maybe it's important for the subgroup to get more information from your team with regard to all those effort that you are doing.

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We are getting some information from the public responsibility division, but I think we need to know maybe more on how you are setting your metrics, and so on. Because at the end, maybe that's also up to the community to do so.

The other comment. Since I think you talked about the capacity building and all those efforts, I'm more interested to know what are the specific efforts your team is doing to target kind of what is missing as a skill set or background, and so on? I understand that we need to bring more people and maybe spend a lot of efforts to bring them on board and train them and so on, but I think like if we take the example of many policy development process, we need some specific skills in different area, and we need to need more what kind of specific target you have or you are doing currently.

So....

SALLY COSTERTON:

Thank you, Rafik. To the first point, the diversity statistics that exist that Ergys has shared with you is what exist. There are no other set of diversity statistics. But what will be more visible -- and I will come back after the session, because I know we're out of time, to the list with some more information which I'll ask Jeannie to share -- is once the measurement tool is complete, the overall engagement measurement tool is complete, what are the fields that we will be collecting data against? Which I think is slightly behind your question. Like can we make sure we've actually done that in a broad enough way so that we're not duplicating effort and that as we capture data,

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we're capturing the right data about the right -- The diversity group has a view on what does it mean to ICANN, and has that been well matched with what we're actually capturing. And I think I'll ask Jeannie to come back on the list with a view on that.

The second point is, actually, yeah, that's what I meant when I said earlier we're going to be coming to you as individual SO/AC groups to spend more time with you, either with you or with your outreach teams or however you nominate, to do exactly that on a, if you will, a kind of needs assessment. So, right, what are your absolute priorities in the NCUC? If I could just magic up another 20 volunteers for you, what are the most important things those people have to bring to the party? On top of, you know, you're prepared to be committed, you're prepared to turn up; you know, those obvious things which everybody wants which are easier said than done. What's missing?

And we have some understanding of that, but really, at the end of the day, you need to determine that. And I know that you -- you all will. And I think that that's really -- And then we have an ongoing engagement through our measurement, because that then gives us a goal. We then have an ongoing engagement about how well are we doing against that. So when we have these kinds of sessions into the future, we'll be able to say this is what we agreed we're looking for from these kind of skills from these regions, here's how we get on with that in terms of acquisition of volunteers and here's how that's actually tracking over time in terms of people being able to be retained in the community and either staying in that community -- and we can do that, for example, when we went through the accountability

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process, some of you will remember, and this was done by someone in the community, there was a very interesting report done, I remember it, looking at the -- who had contributed to the lists and who had said what and who had been commenting. I don't know if you know what I mean. It was very interesting.

So software does exist for us to measure participation, not just people coming to meetings and, you know, putting their hand up and registering. It is possible to measure that kind of level of participation if we choose to do so in the future. And I think that, you know, there will be increasing appetite for this over time.

Thank you for the question.

DESIREE MILOSHEVIC:

Thank you for the answer, Sally.

We've been granted by the chair for an extra two minutes so I'm going to ask the person who wanted to ask the question, number 3, to raise his hand and ask the question.

UNKNOWN SPEAKER:

Hello, I'm a fellow from Pakistan. I just want to add something to what my friend Craig was saying. Actually, most of the people are missing one side of the picture. ICANN is very complex and it's not possible for us to come to a meeting first or second time and expect us to contribute. I heard one of my friends says in GNSO meeting that fellow not up to the mark, they are missing a specific skill set.

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So it's not only on part of fellows. There are some mismanagement, you can say, on ICANN part as well.

If you want some specific skill set from fellows, then you have to first do some kind of capacity building for them. So how do -- You want to measure the engagement, and of course you're going to set some parameters for that. But before you do that, I would recommend two suggestions for that. First is that you go and ask fellows that if they are not being able to contribute, what's holding them back? Why they are not being up to the mark?

And second, out of 50 fellows you select for Meeting B and C, at least 50% of them are newcomers. So you do not expect a newcomer who is attending his first or second ICANN and they contribute to ccNSO, GNSO, At Large, or whatever.

So we need to fill the gaps. It's not only on the side of fellows. It's on - - we have to do some capacity building, and then we can set some parameters that, okay, he has been a fellow after two times, he has been a next gen, a next gen ambassador. Now what he is doing? So you cannot expect from a newcomer, from a first-time fellow to contribute to the work of ICANN. It's very complex.

Thank you.

SALLY COSTERTON:

Thank you. And to that latter point, I just wanted to clarify something for the benefit of the fellows and perhaps everyone else in the room. I wouldn't want to give the impression that there is an expectation from

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anybody in the ICANN community that that would happen. The reason why we have a Fellowship program is to allow -- and it's the reason why we fund multiple -- up to three fellowships, is for exactly that reason, so that fellows coming into ICANN have the time and the mentoring and the coaching and the capacity building to get to the point where they feel like they're ready.

The problem is that we're losing far too many people out of the back of the Fellowship program, and that they disappear -- we're not connecting and, if you will, converting that into enough fellows. And it's not just about the fellowship program. What you see is totally right but I didn't want you to feel like somehow this community or the staff or the Board or anybody else is expecting that to happen because that would be clearly unrealistic.

It's an investment process that ICANN needs to make in building its own capacity into the future. And -- But the question you make about complex- -- the point you make about which -- the first point you made, you said, well, you know, you should understand some of the reasons why fellows may find it difficult to contribute and they may not want to participate in community work. And you're right. And I just want to draw the room's attention to yesterday, on our website, we posted a blog and the result of the fellowship survey. And I promise we didn't set this up. I really promise.

We'd just done a survey of all fellows since it existed. It just celebrated its tenth anniversary. There are around 650 fellows who have been through the program, and we've been through a survey process asking

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them questions like that. Not just, you know, how did you get involved and what are you doing now, but also what was it like for you and where are you participating and where are you not participating and what problems are you encountering? What are the barriers? That survey report has just been published. It's up on the website, and I would encourage everyone to take a look at it. It's a really interesting read. And I thank all the fellows that gave their time for that.

And just to close, one of the things that came out of that survey, was that fellows want to be plugged in more directly in a more sort of structured way, if you will, to the regional programs as they -- not just as they exit the program but right from the beginning. So I've been working with my RVPs to enhance the process by which to tighten up that process, to make sure that we don't forget or somehow, you know, we lose those people as they come through the program. There's a much smoother transition, a much smoother --

DESIREE MILOSHEVIC:

I'm sorry, Sally. I have to cut you off now, because it would be really good to share. As you said, they can read that online and follow-up with any questions to you directly, and Patrick.

And with that, I'd really like to thank you and Patrick for your time and answering the questions, as well as the audience.

We do have one last question but I don't know how pertinent it is. We're over time.

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GIOVANNI SEPPIA: Sorry; we really need to move forward. We'll catch up on those pending questions if we have time at the end. Is it okay? Is it a deal? Please? Okay?

It's a deal. Okay.

Thank you, Desiree, again. And I leave the floor to the last part to Michele for the last part of this session.

Thank you, Michele.

MICHELE NEYLON: Grazie, Giovanni. I'm Michele, for the record.

So I'm having the bit of fun this afternoon where for once I get to moderate Cyrus. This isn't -- hasn't quite been on my bucket list --

CYRUS NAMAZI: As if you can.

MICHELE NEYLON: -- but could have been. When was the last time? I don't moderate you normally, Cyrus, but I do take pleasure in it.

Okay. So Cyrus Namazi, who has a got a great big, long, fancy job title which I will now give you: Vice president of domain name services and industry engagement in ICANN's Global Domains Division, which means that he gets to carry a business card that's probably as large as a table, or else has really, really small font.



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Now, the interesting thing about Cyrus' group is that they are responsible for about 95 percent of ICANN's revenues. Okay, maybe closer to 98. So while Sally and Co are happily spending all the money, Cyrus has to bring it in somehow. So Cyrus is going to walk us through where that money comes from and where they expect that money to come from in the future. Once he's given his fairly short, pointed presentation, we're going to open this up and -- to the floor. Hopefully we'll have some interesting engagement. And I will ask this time, as we are going to be short on time, that we keep the interventions short and to the point. And I'm only going to allow one question per person before I move to the next. But if we can, we'll come back. Not looking at anybody in particular. So over to you, Cyrus.

CYRUS NAMAZI:

Thank you very much, Michele, for that lovely introduction. Ladies and Gentlemen, good afternoon. My name is Cyrus Namazi, as Michele said. I'm a member of ICANN's global domains division. Part of my responsibility within ICANN is to build a market model and track the gTLD marketplace with the objective of essentially informing our CFO and Finance Team to be able to protect the funding and the revenue that comes into ICANN. Over the past three years or so we have built a fairly elaborate market model on a TLD-by-TLD basis to essentially enable us to do this. Tracking ICANN's funding was a fairly simple job until about four years ago when the new gTLD program launched. It was a fairly steady state market with mostly the -- what we call the legacy gTLDs having a fairly flat, about 2% growth rate. With the launch of the new gTLD program, of course, there was this fairly

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significant variable that was introduced into the model. And we've been doing our best to track the changes in the marketplace and be able to have an accurate projection of our funding. If you can go to the next slide, please.

So this is the summary of the four major buckets that actually feed into ICANN's funding. As Michele mentioned, I believe it's about 98% of ICANN's funding that actually comes from our contracted parties through the fees that they pay us. And what you see on the right-hand side of the slide that's before you, the estimate scenarios, our model actually projects three scenarios, one is a low, one is a high, and one what we call the best. And the best is usually what we pick to go with in terms of planning our budget cycle forward. And as you can see, there's not much of a difference between the low and the best projections in this particular case. And this, to some extent, also underlines the fact that we take a rather conservative view in our projections of the funding that comes into ICANN.

So the operating budget for ICANN for FY18 was fixed at 142.8, and it was just a few days ago -- a few days ago was approved by our board. This is a 7.8% increase from the FY17 budget of 132.4. In the past four years or so, as you all likely know, ICANN has experienced a fairly rapid growth rate in our funding. An interesting point to bring out here is that I believe now we have reached what I call the cruising altitude and a steady state. I don't expect the ICANN funding to change materially going forward. All -- practically all of our new gTLD contracts have been signed, and that means that -- and delegated

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which means that has effectively started their contribution of funding to ICANN.

The chart that you see before you has four distinct buckets on it. What you see on the left-hand side with the color of blue is the contributions from transaction fees. The transaction fee by ICANN's definition is either a new registration, a transfer of a registration, or a renewal of a registration. This is why the -- the number of transactions are typically higher than the number of domains that are under management in general.

MICHELE NEYLON:

Sorry, just to clarify that, for those who aren't paying you for this, the transaction fees, if you register a domain for one year, it's one transaction. But if you register it for ten, it's ten transactions.

CYRUS NAMAZI:

That's correct. It's an annual fee. Thank you. Thank you. So the fees that are paid by our registries is what you see on the top of the chart. Registries provide us with \$57.3 million of transaction fees. That's about 40% of our budget. There's a component of fixed fee, and this is the part that actually kicked in since the launch of the new gTLD program, and that's the \$30.8 million that you see. This is a \$25,000 annual fee that every new gTLD contracted party that's been delegated pays to ICANN. And this is the part that I mentioned that has been variable over the past four years that we launched the new gTLD program has been increasing and now has reached pretty much

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its -- its cruising altitude. We expect a few more to be delegated in the coming fiscal year, but there's also a few more that actually undelegate themselves and return their contracts to ICANN.

The lower part of the chart is the fees that the registrars pay to ICANN. The 36.9 is from transaction fees that we just talked about. It's an annual fee of 18 cents per transaction, 26% of our budget. And then there is a component of fixed fees that the registrars pay. It's a combination of what we call application fees and accreditation fees. The accreditation fee is something that on an annual basis a registrar that's accredited by ICANN pays to ICANN. The application fee is something that a want-to-be registrar pays to ICANN to process their request for becoming accredited. And part of the reason that we actually highlight this here, and I speak to this more in subsequent slides, is that in the past 18 to 24 months we've seen a fairly significant increase in the number of requests for accreditation that is driven by a particular market model that is I think is called the drop-catching business. I'll speak to that in a moment a little more. And then there's other funding that you see in the bottom of the chart there, about \$3.7 million. That's about 2% of our funding. These are sponsorships and then voluntary contributions that some of our ccTLD partners make to ICANN. Next slide, please.

So let's look under the hood a little bit to see what is driving each one of these sort of major buckets of revenue contribution that I just talked about. On the top --

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MICHELE NEYLON: Cyrus, just one moment, please. I don't know if we can -- can we do something with the slide that's up there so that people -- people don't go blind.

UNKNOWN SPEAKER: (Off microphone).

MICHELE NEYLON: Yeah, the slide -- the slides which will be available on the Web site won't make your eyes bleed. Believe me. I have a copy in front of me. Cyrus, I know if I was sitting in the room and I was looking at that I would think my glasses are broken.

CYRUS NAMAZI: This means I get to say whatever I want to say. So I'll just talk to it. It's not -- I have it actually here virtually before me. What you see as being contributed by our registries and registrars is broken into the legacy and new gTLDs in here. The transaction-based fees for legacy TLDs, these are the 22 that existed since the beginning of time until the dawn of the new gTLD program. For this we actually have historical data that fairly closely tracks what happens in the marketplace. The growth of the new gTLDs in the legacy space has been fairly fixed at about 2.3 to 2.6%. Now, that is a fairly substantial base. Even a 1% swing in it makes a substantial difference in the level of funding that ICANN receives. So our projection for the best estimate that I just talked about is a growth rate of about 2.3% in the number of transactions. That's about 160 million transactions, for those of you

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who are interested. The high estimate for us actually on this particular one is the same. We don't expect it to really grow any more than the 2.3% that we have in the base model. And the low estimate in this one is a growth rate of 1 1/2%, which really didn't, as you saw in the -- the low estimate figure, did not make much of a difference from a financial contribution perspective.

With the new gTLDs ICANN and ICANN contracted parties in the new gTLD registry space switched to a different funding model. So if every contracted and delegated new gTLD actually pays ICANN an annual fixed fee of \$25,000, so we started at one in October of 2013 and we have grown to pretty much the maximum, which is about 1,240 of them this year. We reached that peak in about halfway point of FY17. This is why this used to be a variable contributor to ICANN's funding, and now it's reached its steady state. We don't expect this to change much. The contribution of this from a dollar perspective is about 7.8 million or so dollars per quarter. Roughly \$30 million a year. And this is, like I said before, the biggest contributor to ICANN's funding growth in the past three, four years.

The new gTLD registries also pay a transaction-based fee and the registrars, of course. A slight difference there between the legacy and new g is up to the 50,000 registries transactions, the new gTLD registry pays no fees to ICANN. And this is assumed to be covered by that \$25,000 fixed fee that I talked about. This is a variable piece. The new gTLD market is still fairly fluid, from our perspective. There's a lot of ups and downs in it. There are two components of demand, the way we see it. One is what I call organic demand, people buying the

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domain name to use it. The other one is more of a speculative demand that we've seen, which comprises really a fairly significant part of about 28, 29 million new gTLD domains that are under management at the time. And this piece of it fluctuates and makes actually a precise projection of the funding projections a bit more complex for us.

It continues to be a fairly small contributor, \$242.8 million funding, so the variations in it do not seem to materially change the total 148 -- \$542.8 million. The total contribution that we expect from registries and registrars in the new g transaction-based fees in FY18 is about \$9 million, FYI. If we could go to the next slide, please. Thank you.

So in the registrar space, I talked about two components of fees that are paid to ICANN. One is the application fees. Traditionally within ICANN we have had on the average about 15 new accreditations per quarter. And every accreditation we charge actually \$4,500 to process that request and that application. Once a registrar is accredited, then there is an annual fee that they pay to ICANN for \$4,000. And then there is this per registrar variable fee that you see on this slide of \$3.4 million. This is actually a variable fee to the registrar. It's a fixed fee to ICANN. And I apologize for the complexity of this. It actually gets divided by the number of accredited registrars and then invoiced to them, again on a quarterly basis, but it's an annual fee.

Part of the reason that we highlight and underline the application fees here is that we've seen a substantial growth in the number of requests for accreditation. I mentioned this earlier. So we have gone I believe

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from about 6, 700 accredited registrars three years ago to somewhere near, let me see, about 2,200 accreditations. And the contributions from these applications fee -- application fees and the accreditation fees is becoming somewhat material. Both in our budget projections as well as in just the funding projections. So we're keeping a close eye on this particular piece as well.

The lastly, there's a small contribution from the new gTLD application fees that are paid to ICANN. As you likely know, this is something that's tracked and accounted for in a completely separate accounting mechanism. But there's some charge-back to this particular budget that pays for the expenses associated with processing the applications for new gTLDs. Next slide, please.

So in summary, what you see here is a comparison of what we had in our -- in our FY17 budget versus FY18. The total number of transactions for us are up from 192 million to 205 million. Broken down between legacy TLDs, gTLDs, and new gTLDs. 2.3%, I mentioned that earlier for legacy gTLDs. New gTLDs, as I mentioned, up to 50,000 transactions. There is no fee paid to ICANN, so that's why you see two entries there. Our projection is about 41.7 million transactions in new g in FY18, which translates into a billable transaction rate of about 35 million. So it's about an 80 to 83% ratio or so.

The total number of our contracted parties is anticipated to be at 3,500 in FY18. We do project that the number of our accredited registrars will decline by about 750 in FY18. This is something, again, that is somewhat of a fluid situation. We're keeping a close eye on it to



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see when and if that happens, because it is a material contribution to our budget.

So while we anticipate ending FY17 with just about 3,000 registrars actually, accredited registrars, our budget projections for FY17 is about 2,200. And as you can see new gTLDs, the number doesn't change. It is at steady state.

So that was my presentation, Michele. Back to you.

MICHELE NEYLON:

Thanks, Cyrus. Just one quick comment, just so people are clear. When Cyrus talks about accreditations, he means contracts, not companies. So of the several hundred accreditations that have either appeared or disappeared, in many cases they were one or two single corporate entities involved. Now, we're very, very short on time, but I do want people to ask Cyrus awkward questions. It's one of my favorite sports. I hope you all can participate in this. Surely somebody wants to ask Cyrus an awkward question. Excellent. Gentleman down the back at number 2. Please, go ahead, sir.

UNKNOWN SPEAKER:

Just to make one question. On slide 1, you put the figure that all money or registration fee are coming from registries and registrars. And how much you get from registrants?

MICHELE NEYLON:

Also, if you could also state your name for the record, please.

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UNKNOWN SPEAKER: (Saying name) from Serbia. For second time (indiscernible). Sorry.

MICHELE NEYLON: Okay. Thank you. We've got one question from remote from Kevin Murphy of Domain Incite which I can read because I can actually see it here. So Kevin is asking, why would the number of accredited registrars decrease by 750 in 2018?

CYRUS NAMAZI: Thank you, Kevin. That's a good question. This is Cyrus speaking. Based on the market information that we have -- I think Michele touched on this -- the 3,000 accreditations that we have for registrars actually amounts to about 400 distinct registrar entities. And again, to Michele's point, this means that there are actually three entities with hundreds of accreditations. Now, one would ask, why would an entity want to have hundreds of accreditations? The primary reason behind having multiple accreditations is the way -- and Michele might actually be able to describe this better than me -- is a particular access to what's called a batch pool of a registry, to be able to have access to the domains that are actually being dropped from -- from registration. If you have multiple accreditations, then you get multiple inputs into this pool and that increases the likelihood of being able to find a name that is actually of value to someone. And my understanding is that these registrars actually have this business model of being able to tap into this available pool of names that's coming up for renewal and

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then be able to find buyers for them to connect them to their desired name.

Now, from the -- the model that we have, I believe at the moment that the total available market for these sought-after domains that these multi-family registrars are after is not able to withstand the thousands of accreditations that are there. Each accreditation costs quite a bit of money. There's just \$4,000 you have to pay to ICANN a year, there's the \$4,500 accreditation fee. So if you add that -- all of that up and then you add up the total available market for these good names that are being -- being searched for, we think that the market is probably gone sort of beyond what the available -- available market is. So we expect the accreditations to drop to a more sustainable level. At the moment our projection is a drop of 750. Thank you.

MICHELE NEYLON:

Thanks, Cyrus. I think we're pretty much out of time. If there is one -- was one comment from Donna which relates to an earlier part of the presentation which has been captured for the record. I don't know -- we really don't have time to do that now, so I'll pass it back to Giovanni.

GIOVANNI SEPPIA:

Thanks, Michele. Donna, if you promise for -- to go for a short question and what is going to reply to you is a short answer, I'm happy to leave the floor.

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DONNA AUSTIN:

Thanks, Giovanni. Donna Austin. And I make this comment as the vice chair of the GNSO Council, and it would be great if -- I'm not going to read the comment in its entirety, but it's just that we need to acknowledge that PDPs are really difficult. They're not easy to get your head around. If you don't have an interest in the topic, it's really hard to get engaged. So while I appreciate the effort that goes into trying to get the fellows up to speed to enable them to engage in PDPs, it really isn't that simple. It takes real dedication, it takes an interest in the topic, and if you don't really have the capacity to stay the course for two years, then it's even more difficult. So I just want to make that point, that it needs to be understood the PDPs aren't really easy to follow. So even if you come to an ICANN meeting, or three ICANN meetings, you still may be clueless as to how to get engaged in the PDP. So -- but if there's anything that the council can do to provide perhaps some mentoring for some of the fellows or some tips about how to be included in that process, then maybe you should come and talk to us and we will help you out. Thanks.

SALLY COSTERTON:

Thank you, Donna. That's exactly the sort of thing that I was referring to earlier when we were talking about getting a handle on better needs assessment. So it's that sort of detail. And PDPs also vary. I mean, some are -- some are easier to get your head around than others, if you're a newcomer, for example. But I think it's partly about mentoring, partly about capacity development. But it has to -- this is something that we -- we have to do together and we have to -- we have to recruit each other in different ways, to try and keep people

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motivated and supported through that process. And I think that's a very clearly heard message from everybody. So thank you. Thank you for that.

GIOVANNI SEPPIA:

Thanks again, Sally. I'm wrapping up this session. It was very interesting. A lot of information that has been shared by these three ICANN head of departments. A lot of food for thought for -- especially for also the ccNSO strategic and operating plan working group, how to further contribute in the future. A lot of good feedback from the community with a lot of good questions. And I think it was good to say and safe to say that it was interesting from both sides. So I'd just like to thank a lot Andreas, Desiree, and Michele for helping me and moderating the different part of this session. Again, big thank you to Elise, Xavier, Sally, Patrick, and Cyrus for the work they are doing. Has been incredible and regarding the metrics on the global engagement. The ccNSO SOP has been quite picky in the past. But we acknowledge the great improvements made so far in the past couple of years. So thanks again for this and your work, Sally and Patrick and Jeannie remotely probably attending. I'd also like to thank the ccNSO secretariat for facilitating this meeting, the interpreters, the scribe and tech team. Thank you, everyone. And above all, thanks to you who attended this meeting. Bye.

[ Applause ]

**[END OF TRANSCRIPTION]**