Country Code Names Supporting Organization

Comments on draft ICANN FY11 Operating Plan and Budget

24 June 2010

The ccNSO welcomes the opportunity to comment on the draft FY11 Operating Plan and Budget released by ICANN on 17 May 2010.   In addition to this response, a number of ccTLD managers and regional country-code organisations may also provide individual responses to ICANN's call for comments.

As a general observation, the ccNSO welcomes ICANN's commitment to increased transparency, clarity and completeness in the organisation's reporting and planning. The ccNSO places great importance on ICANN's strategic, operational and financial activities, as evidenced by the establishment and operation of a dedicated Strategic and Operational Planning Working Group that coordinates and organises the participation of ccTLD managers in ICANN's planning processes.

We particularly welcome the willingness of ICANN CFO, Kevin Wilson, to make himself available to brief the ccNSO, either face-to-face at ICANN meetings or via teleconference, and of ICANN staff to make their strategic and operational planning an iterative process, with the involvement of all community stakeholders.

However, with increased transparency and communication comes increased community awareness and knowledge and a resultant increase in questioning and scrutiny. The ccNSO Council, the ccNSO SOP WG and individual members all submitted comments and questions as part of the first consultation on the framework for the Operating Plan and Budget that commenced in February.

Some of these issues have been addressed in subsequent dialogue and others have not. Below are a number of issues that the ccNSO believes are still outstanding, and that must be resolved before ICANN concludes this stage of its planning cycle. [1]

Unanswered questions from initial ccNSO submission

On 31 March 2010, the ccNSO lodged a brief preliminary submission in response to ICANN's consultation on the framework for the Operating Plan and Budget. The submission queried some of the issues surrounding ICANN's projected budget over-run for FY2010 and the measures being taken to manage the situation. The questions reflected issues originally raised by the ccNSO Council at ICANN's Nairobi meeting.

The ccNSO notes that, on 10 May, ICANN staff published a summary of, and response to, comments received during the framework consultation. However, the ccNSO's questions were not fully addressed. These underlying questions were also raised in a teleconference on 19 May, at which

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[1] All sections and page numbers cited in this submission refer to the English language version of the draft ICANN Operating Plan and Budget released on 17 May 2010.

Kevin Wilson undertook to provide a "definitive response" to "the ccNSO's pointed and operational questions". This commitment also remains unmet.

Once again, the questions are:

- What were the significant unanticipated legal expenses? Were they exclusively in respect to the .xxx arbitration?
- What were the new facilities and how much money was spent on them?
- What were the senior-level hires, why was it necessary to execute rapidly on these hires, and what was the nature of the associated expenses?
- What were/are the strategic consulting contracts and what was the nature of the expenses associated with these?
- What was the nature of the costs associated with delays in key programmes such as the new gTLD programme?

The ccNSO would appreciate a prompt response to these questions, as it is important that all parties fully understand the problems associated with FY10 before commenting on and finalising the FY11 budget.

Questions and comments regarding the draft Operating Plan and Budget

The ccNSO would also welcome prompt feedback from ICANN on the following comments and questions, as the responses will facilitate greater understanding and informed consideration of, and better input to, ICANN's Operating Plan and Budget.

1. In ICANN's Strategic Plan matrix (Executive Summary - pg 6), the first two line items under "DNS Security and Stability" are *"enhance existing DNS collaborative responses to abuse threats to DNS"* and *"initiate program for annual DNS risk assessment / systemic contingency planning"*. The ccNSO would welcome more information regarding these items and what operational and budgetary detail will be attributed to them.

2. On page 8, ICANN notes that *"Work to develop alternative funding sources is required to avoid delaying some planned security trainings for ccTLD operators".* What work will ICANN undertake and will the ccNSO be consulted?

3. The quantum of ICANN's Reserve Fund is discussed on page 9. What benchmarking work, if any, was undertaken before the decision was taken to reserve one year of operating expenses? Will this Fund be capped at any point, given annual operating expenses are a moving (and typically increasing) target?

4. Pages 11 and 12 outline ICANN's planning process and a proposed change to the process for FY12. As a general observation, the ccNSO is not certain that the draft Operating Plan and Budget is the appropriate place for the discussion of procedural changes and requests that ICANN undertake a separate public consultation on the matter.

5. On page 18, the ccNSO notes that additional expenses in FY10 related to arrangements for the Nairobi meeting have been attributed to Security, Stability and Resiliency Operations and used to explain the SSR budget over-run. The ccNSO believes that these are clearly meetings-related costs and would welcome a clear explanation of why they have not been attributed in that way.

6. In section 4.9 (page 22), Global engagement and international participation is listed as $1.2m – or nearly 20% - over budget. What were the reasons for the over-run?

7. Similarly, why did Community travel support (item 4.10 - page 22) run over budget?

8. Although only a relatively minor expense item, costs relating to the ombudsman's role are budgeted to increase by nearly 25%. What are the reasons for this increase? If this is a currency exchange issue, is there a plan for ICANN to hedge against future fluctuations?

9. On page 25, DNS Operations are listed as more than 100% over budget, and yet there is no discussion offered. What accounts for such a large over-run?

10. On page 27, investment income of $4.5m is forecast for FY10. Only $1m was budgeted for FY10 and only the same amounted is budgeted for FY11. This spike in investment income was not addressed in the operating and budget framework and barely mentioned in the current document and yet goes a long way to helping ICANN come in on budget for FY10. What was the reason for the significantly higher than expected investment income and why is the budget forecast for FY11 so low?

11. On page 35, ICANN has listed "travel and meetings" as a single operating expense. To many stakeholders, expenses related to travel and holding meetings are two very important and separate costs and the ccNSO requests that ICANN differentiate between the two and advises how much was spent on each.

12. On page 42, "Organization leadership support and others", with an FY11 budget of $0.9m, includes leadership support for the CEO and Chair. Is this secretarial support or another expense?

13. Page 48 notes that ICANN has signed a 10-year lease on a Palo Alto office. Why is ICANN investing in two offices in California, given the requirement for it to internationalise, under the Affirmation of Commitments?

14. On June 22, 2010, President and CEO Rod Beckstrom that ICANN's Strategic Plan is in fact a "wish list," and that not all strategic priorities will be executed on. This makes serious analysis of the Strategic Plan very difficult, as there is no way for stakeholders to confidently determine which elements of the wish list are expected to be undertaken and funded, and which are not going to be funded. As such, there is a need to better prioritise the strategic initiatives to ensure that they fit with resources – in terms of financial resources, staff capacity and community capacity.

15. Can ICANN differentiate between structural and discretionary costs (fixed vs. variable)? In other words, can ICANN specify which priorities must be funded and which are optional and hence assist with the prioritization of what can be cut or modified with the least impact?

16. We would like to make the observation that the cost cutting measures appear to be very short-term. In addition, they may in themselves be counter-productive.

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