

## TRANSCRIPT

### **SOP Working Group Telephone Conference**

on Operational Plan Framework with Xavier Calvez

**19 January 2012 at 15:00 UTC**

#### Attendees:

Lesley Cowley, .uk  
Byron Holland, .ca  
Roelof Meijer, .nl (Chair)  
Mathieu Weill, .fr

#### Staff:

Xavier Calvez  
Bart Boswinkel  
Janice Douma Lange  
Kristina Nordström  
Juan Ojeda  
Gabriella Schitteck

#### Apologies:

Fahd Batayneh  
Sabine Dolderer (TBC)  
Atsushi Endo  
Staffan Jonson  
Debbie Monahan  
Giovanni Seppia  
Leonid Todorov  
Peter Van Roste

Roelof Meijer: So, and Gabi, can you just give the roll call please?

Gabriella Schitteck: Sure. From the ccNSO, we have Lesley Cowley, Byron Holland, Roelof Meijer, and Mathieu Weill.

And we have apologies from Fahd Batayneh, Sabine Dolderer, Atsuishi Endo, Staffan Jonson, Debbie Monahan, Giovanni Seppia, Leonid Todorov. Peter Van Roste might join is late.

From staff, we have Xavier Calvez, Bart Boswinkel, Janice Douma Lange, Kristina Nordstrom, Juan Ojeda and myself.

Roelof Meijer: Whoa, so I have to apologize on behalf of the ccNSO for being out numbered by ICANN staff. So Xavier, is that right?

Xavier Calvez: Yes.

Roelof Meijer: Hello, Xavier. Well, everyone, what I would like to do is I would like to have the three items on the agenda. First we will have the presentation of the operating plan emerging framework by Xavier. And any other (inaudible) of course as to what he says.

So Xavier, do you want to -- do we pose questions during your presentation or do you want to have them at the end of your presentation?

Xavier Calvez: It sounds to me that it's easier to have the questions during the presentation because I would assume that it's going through each slide that will trigger questions. And it's probably better to address those questions while we are on that slide. So that would be my preference.

Roelof Meijer: Okay. So we have the presentations and if you questions, you can ask them straight away. When Xavier has finished, I would like to briefly touch on the timeline. Bart has sent us an email with the timeline. I just want to make sure that everybody sees the sense of it and agrees with it.

And then I want to come to the division of work and information of the team. So while Janice and Xavier depart the timeline -- well, maybe during the timeline it might be interesting, we might have some questions on that. But when we start dividing the work, you can hang on if you want, but you can sign off also if that suits you better.

Xavier Calvez: Understood.

Roelof Meijer: To the working group members, are there any other things that you would like to have on the agenda that I didn't mention? Okay, that's good. So, Xavier, you have the floor.

Xavier Calvez: Okay, do I have control over the presentation? Or do I need to ask to move from slide to slide?

Roelof Meijer: Well, I have difficulty understanding what the difference would be, but I see you as a presenter on the list, so that would suggest -- yes.

Xavier Calvez: Okay, so I'm the one apparently moving the slides now. So it looks like I do have the control of the presentation. The only thing is that when I say control, I don't look like I'm controlling that well the slides moving up or down. Okay.

So, first of all, just to check, did anyone have any time to look at the presentation before as made available on the website?

Unidentified Participant: I did.

Roelof Meijer: I did.

Byron Holland: I did.

Xavier Calvez: So I will do -- while I'm leaving the slide on the Adobe room, I'll do a very quick overview of the process that led us to get there. We have basically reviewed internally with the staff the two different set of information. We have worked on the revenue projections, which are explained towards the back of this

presentation. And to set the stage for what we think our sources of income are and what the amounts would be, so that we use basically that estimate of revenues as the benchmark for basically to compare expenses under the premise of trying to balance the budget.

We have then looked at an input that we have asked from each of the ICANN departments on two different things. Any significant change in the scope of activities that each department is expecting or looking into for 2013. We're over six months away from 2013 and a lot of things can change and will change over this six months, so it's difficult to have that exercise for 2013, but nonetheless, what do you know as of today that will affect your department's activities in 2013 is what we asked to the departments.

We also asked them to name the projects that they're expecting to see happening in 2013. And also formally the projects from 2012 that they're expecting to carry over into 2013. And for the new projects, we asked them to try to provide a little bit of color as to what the content of the project is. And we have also asked to provide an estimate of an envelope associated with a project.

At this stage, it's not a detailed bottom of budget, but it is an estimate of how much we are thinking it may cost for the only sake of trying to understand whether it's a \$2 million project or a \$50,000 project so that it helps us going through the motion of the budget to understand the magnitude of the project and also help -- when I say us, I mean all of us together, the community enough to understand whether there is a very significant project that's suggested here that everyone should look at and weigh in on whether we think it makes sense or not, whether we think it's an appropriate approach or if we should have the project, but it's too big or whatever.

So, this is the approach that we have retained is to us input from the departments on meaningful changes. Once we've had that, we have tried to formulate a top down valuation I would say of the budget with very basic assumptions. So, and just to make sure we're all clear, I wanted to make sure we formulate that approach because I don't want you guys to think -- and I don't think you do -- but I just wanted to be clear on the fact that this is a top down approach that we have carried out to help us go through the motions of the budget as we have explained before, and therefore the level of detail behind is not meant to be important, otherwise it would be bottom of budget. So we have formulated a number of trends and assumptions, which we have indicated in the document to be able to formulate a high level view of our revenues and expenses.

And I would say that we probably have slightly more detail on the revenues than we actually have on the expenses by department because it's a little bit narrower to estimate. But the expenses we have done trending of expenses to come up with the amounts and also then help us correlate that trading with some input that we've received from the departments.

So we're starting narrowing down the 2013 budget subject to some of the input that we have, the trends of revenues that give us indication as to whether we have large issue or a small issue, or a favorable difference between the revenues and expenses as trended.

So that was just the method. Sorry to have been a bit long on that. This first slide is -- it's just trying to give a little bit of overview of the process. And unless there are questions, I will move on. And feel free to interrupt me at any time. That's no problem. That's what this call is for I think. At least from our perspective.

We are putting there the reference to the strategic plan on slide three so as to be able to relate one with the other. And we have tried to illustrate some of the

relationship between the strategic plan and the budget priorities and the projects further down in the presentation and we'll get there in a few minutes. Any questions at this stage?

I'll take that as a no and I'll move on. This is just on slide four a reminder of the overall timing and milestones of the budget. It's maybe a slightly different representation than what you have seen before, but nothing -- I will not comment in detail unless there are questions. I think Roelof, you want to go over the next steps and the overall planning after this specific item. So, we can take that then. And now we'll move on.

Roelof Meijer: Yes, please do.

Xavier Calvez: Slide five. We are explaining here the ICANN priorities. We have formulated the list of priorities that we perceive or the ones that we need to have -- that we need to go by in 2013. And they have been determined by a reference to the strategic plan, by also input from a number of departments on what we think are the major items in 2013 that we need to be working on or we need to contribute to. And these priorities have been formulated with some amount of community input and discussions that happened in Dakar. Some amount of staff input and reference to the strategic plan. Also reference of course so that using this current year's budget exercise that was closed in June last year. And also reviewed by ICANN's management team.

We are using this as a guidance to basically benchmark or check that projects or activities that are carried out do fit within those priorities. Or if they don't for a given reason, we understand why they don't and we understand that we have to carry them out nonetheless.

So it's used as a framework of reference to always check that we are considering fits within our mission and we're trying to formulate the 2013 list of priorities consistent with the strategic objectives and the mission of ICANN so as to help us do that exercise. So you will see, for example, that we have associated each project that we are looking at for 2013 at this stage with a given priority to ensure that each of these projects fits within that framework and doesn't derail resources from these objectives.

So that's the method these priorities are following as a list there. And of course, I will not necessarily go into detail of them now, but this is something that I would expect to receive input from the community on you've missed this or what is that. Or why is this a priority versus something else that's not there? So we definitely expect input on that front so that we ensure that we effectively correctly include priorities that should be and don't focus on things that should not. So the input from the community is very much expected on this matter.

I will move on unless there are questions. Maybe I should stop there for a second.

Roelof Meijer: Xavier, just a question on your slide -- hang on. No, I'll have a question on slide seven, so I'm just awaiting that. Okay, no, carry on.

Xavier Calvez: Well, why don't we go to slide seven then? So slide seven, this is just a view of those priorities sorted out by strategic color, as part of the strategic plan to try to give an overview of how we see them relating to the strategic plan. Roelof, why don't we go with your question?

Roelof Meijer: Yes, I think that's a very logical approach here from slide five to six to seven. And I do indeed recognize slide seven and the comments in slide seven as also in the strategic plan. But in those columns in the strategic plan, you have mentioned

projects and activities. I think you call them strategic activities, or something like that. And how do they fit with the projects and activities that you have in the operational plan here in the columns now? Do you understand my question?

Xavier Calvez: No, sorry. I am not sure I -- so you're saying we hit --

Roelof Meijer: In the strategic plan there is a slide, which looks very similar to this one. It has the same four columns.

Xavier Calvez: Okay.

Roelof Meijer: Within the columns, there are strategic activities. And they are not identical to what I see here in the columns, which of course can be explained, because they are the three-year strategic activities and this is operational activities for one year. But is there any way in which we can find a connection between the two? For instance, are there certain activities mentioned in the strategic plan in one of these columns that are not covered by your operational plan because you have changed the priority or something like that?

Xavier Calvez: Okay, I think I see your point. So basically, the correspondence that you would like to understand is between these priorities that we're indicating in the blue boxes with the next level of detail within each of the four pillars of activities of the strategic plan. How do each match to these activities?

Roelof Meijer: Yes, and especially if there are things that you have decided not to do that are indicated in the strategic plan and that you have decided not to do this year or maybe not to do at all.

Xavier Calvez: Okay, understood. I don't -- nothing comes to mind that is an exception to these priorities addressing the activities within each pillar. What I suggest we do is that we just do that verification and come back to you with it.

Roelof Meijer: Okay.

Xavier Calvez: And maybe we can -- I'll try to think how to just formalize that, but maybe we can just match the -- have a very simple table with the four pillars, then the activities within those four pillars, and then laying out the priorities across those activities and see where we're not necessarily matching and whether that effectively reflects an activity of the plan that's not addressed in the priorities.

Now, the priorities don't necessarily try to be exhaustive, so I would assume that some priorities would cover several activities in the sense that if I take an example, having a -- if I look here in the list of page 13 I can imagine that some priorities that are mentioned there could conceptually at least address several activities. So but we'll do that exercise and I'm assuming, Janice, you're helping me make notes of the comments that we are going through so that we make sure we address them going forward. But I -- that's what I suggest to do so that we address your question.

Roelof Meijer: That's fine, Xavier, thank you.

Xavier Calvez: Okay. Slide eight, we have in the past introduced this a little bit analytical view of the budget between what's project, what is core operations, and what is specific additional community requests just to give an order of magnitude and then to elevate that. We have to be -- wanted to comment nonetheless that the -- as a convention and assumption, strategic projects in core operation or activities that are recurrently carried out by staff -- or let me rephrase it. Staff contributes to both activities on the strategic projects, usually not alone; the community is involved one way or the other in a lot of cases.

What we have done is the core operations contains I would say all the staff costs and the projects don't contain any staff costs. With very little exceptions to that rule, being the staff that's entirely dedicated to a project. A reasonably simple example of that in the past was the new gTLD team. There are staff members in that team or that team is actually made up of staff members. But the entire department was reported under a given project, which is the new gTLD launch. And as a result, the cost of that department was inserted in the project and not shown on the core operations. But other than this type of specific exceptions, the costs, the full cost of the staff is included in the core operations rather than in the strategic projects.

Byron Holland: Xavier, it's Byron. Just a question on community additional requests. Can you give us a little more color on where they're from and how they make the hurdle of actually getting funding versus perhaps those that don't?

Xavier Calvez: Okay, so let me give an overview of what that process is -- where that process is as of this stage. We have created this year a disconnection between the timing of the SONAC requests process and the timing of producing the framework. I think last year we worked with the community so that we can insert the requests in the framework and then part of the framework that was commented upon during the comment period. This year we have disconnected those two processes to give more time for the SONAC request to be formulated and have only used for the purpose of this framework that you're looking at a placeholder, an envelope of \$500,000, which is basically picked based on what this amount was last year -- in last year's budget to just ensure that we include this item, though we don't yet have all the SONAC requests.

So, these requests are currently being formulated. The deadline -- the original deadline for providing those requests is January 20th. And we have given a little bit of a grace period for requests to potentially come in until January 31st, because there were some scheduling and holidays and New Year celebration issues that affected a number of organizations and were preventing them from doing the work that they think they need to do on this subject.

So, bottom line, by the end of January we will have the list of requests and we are currently working with the policy staff to formulate a process to select those requests. And when I say formulate a process, we are -- what I want to do is gather a number of representative members of the community across the organizations to suggest a process to select the requests. I think it will be a challenging exercise, but what we want to move away from is that last year by lack of being able as a group together with the community to formulate a compromised list of items that make it into the budget.

To simplify, I think staff basically found itself in the situation of having to make the decision and did make the decision, which is the last resort option, usually the worst one, because staff's making decision on what -- on a request from the community is probably not reflecting the community's choices or even though I think the staff is trying to do the best job they can doing that, we should not make decisions on what the requests are that fit in the budget.

So we are trying to formulate a process that helps sorting out and selecting the requests that make it into the envelope versus the ones that don't. And obviously I'm working under the premise that we will gather an amount of requests that will exceed the envelope. Yes?

Roelof Meijer: Sorry to cut you slightly short, but I think -- Byron, was that your answer? Are you happy with that?

- Byron Holland: Yes, that's certainly a lot of color. Thank you. So bottom line though is it's an envelope still undetermined and there's some process issues. But I -- that is much clearer for me now, thank you.
- Roelof Meijer: Okay. Any other questions on this slide? I have one, Xavier.
- Xavier Calvez: Sure.
- Roelof Meijer: Do you think you can give us an estimate of how much the strategic project costs would rise and the core operations costs would decrease if staff allocation costs were done correctly? And I just need a rough scale. Is it \$1 million? Is it \$5 million? Or is it \$10 million?
- Xavier Calvez: Hmm. Without having done the exercise of trying to do that, it's difficult to speculate. I would only try to guess a percentage of the staff's time that's spent on projects, which would be only my guess. And you have 10 different people, you'll have 10 different answers. But I can give a shot at that, Roelof. I will have to take a little bit of time to look at it, because what I want to try to do is at least at a very high level look through the list of projects to see how much staff resources we are expecting, or part of the project. Because some projects don't have any staff resources contributing to them or very little or a lot. So I would want to have a first look at that.
- But it will be a guess. And I don't believe that we have ever formulated a detailed project-by-project allocation of the staff and the staff costs. Nor do we track hours of the staff (multiple speakers).
- Roelof Meijer: No, this I understand. I don't think you would need that level of detail. But without any objective of sounding paternalistic, I would suggest to you that in order to give this particular slide any value, you would at least have to -- as the CFO I think you would at least have to have a fair impression on what the impact of your assumption is or the impact of the decision not to be by staff that is not fully working for projects. Divide that cost roughly between the projects and core operations.
- I mean and as a CEO I would accept this kind of a presentation if it was a material difference. But as soon as it would become significant, let's say it would -- add more than 10% to the cost of the strategic projects, I would suggest that it would be important to actually try to allocate those costs through the projects or stop with the presentation as it is. Because then it will just be the wrong impression.
- Xavier Calvez: And when you say wrong impression, what do you mean by that?
- Roelof Meijer: Well, it now gives you the impression that strategic projects cost \$11 million. But maybe, and I'm just assuming, maybe it is not \$11 million, but it's \$20 million because in core operations, \$63 million, there are now \$10 million US dollars for staff, which are working part of the time for strategic projects. But their costs are not in those projects.
- So if that's the case, if it's for instance \$10 million, then this particular slide gives a very wrong impression, because it gives the impression that strategic projects involve the total cost of approximately \$11 million US dollars.
- Xavier Calvez: And I understand your point, except that we're saying that those are external costs. So I'm not trying to -- I don't think it conveys that image as long as you understand what the assumptions are. I could even tell you that the projects include only travel costs or -- but so I'm not disputing that having a full cost of the projects is something that we should look at. At this stage we just wanted to be clear as to what's included versus not included. And allocating -- let me rephrase.

Showing projects inclusive of staff costs has its own requirements in terms of tracking and analysis. And also implies that the resources have a certain amount of dedication to the projects, which in very many cases is not the case.

So the full cost of projects with staff allocation in it has its own rationale that we need to be very carefully defining as well. Because when you say correctly, I would argue that we need to determine what's correct versus not correct in allocating or not that cost to projects.

Roelof Meijer: No, I agree, Xavier.

Xavier Calvez: Okay.

Roelof Meijer: But then -- because now, I mean it seems as if we are comparing two things that we shouldn't compare. Because if these strategic projects, as I understand from you only include external costs, but the \$63 million for core operations includes internal and external costs.

Xavier Calvez: Correct.

Roelof Meijer: Yes, so that is a bit -- I think it's a bit confusing. It's not -- but there's no objectives and misleaders, but it -- people can draw the wrong conclusion there and I think - - but okay. Let's move on because our time is limited.

Xavier Calvez: Okay. So the slide number nine is giving just a very high level comparison between 12 and 13. I don't think there's anything specific there, other -- I'm not saying you should not comment, I'm just saying I'm not trying to go into details of that at this stage, because I think it's very self explanatory what the information is. Sure? Hello?

Lesley Cowley: This is Lesley. I had a comment on that one --

Xavier Calvez: Sure.

Lesley Cowley: -- for my clarification really. On the FY'12 budget column heading, that seems to me to represent the original budget for FY'12. But obviously you're almost halfway through the year by now. Is the predicted outturn different from that materially?

Xavier Calvez: So we are working on formulating the forecast for 2012 as of December end. We are in the process of finishing the close of December and based on that close to formulate a forecast for 2012. We have attempted to do that exercise a little bit early in the year as well at the end of October. And not being able to entirely complete that exercise.

So I will answer a question that isn't asked. We want to do that and do exactly what you're asking for. What we've done at the end of October that was not giving a full complete view nonetheless did not let us see any issues of magnitude in the current spend that was putting at stake the budget. There is a number of timing differences that make us be below budget at the end of October in a reasonably significant manner. And there's two or three elements that contributed to these timing differences. And we are trying to reformulate now what the timing should be of those expenses and of course trying to understand whether at the end of the day we will spend as much as was budgeted or less.

Just without trying to be too detailed, we are spending less on compensation on the -- because we're hiring at a slightly lower rate than what was planned in the budget. And there's some legal fees that we had included in the budget that have not been incurred as of yet. But again we are looking at because of those timing

changes in the first six months, how does that affect the next six months? And that's what we're looking at.

So, to answer more directly your question, we don't have any specific concern and we're a bit below budget at the end of October. And we're redoing this exercise at the end of December with the intention to have a more complete and finished exercise on the subject.

Lesley Cowley: Absolutely. I mean that sounds great. What I was trying to do really from looking just at this level was look at trends. So I think for future presentations it would be great to have the FY'11 final outturn in effect.

Xavier Calvez: Oh, yes, sure.

Lesley Cowley: And so forth. So that really that you can kind of look at overall the trends and expenditure. And just to address your last point, it's equally interesting to know that there is an under budget performance. Sometimes you have to work hard to put in the resource in order to spend the money as it were, but that to me is equally as concerning as an over budget performance.

Xavier Calvez: And I completely agree with that. I think there are two different types of concerns. I have a reasonably immediate concern if we would be above budget, because we would be spending more than we have. Spending less than we have is a less concerning issue from a cash management standpoint, but is obviously also reflecting the fact that we're not necessarily delivering on initiatives or services that we should -- that were planned to be delivered upon. So I am not disputing that I completely agree with you and I think both variances need to be analyzed from both aspects I guess.

Lesley Cowley: Yes, thank you.

Roelof Meijer: Xavier, just one more clarifying question. So that means since you didn't have a forecast for '12 already that staff -- it was asked to come up with their estimates for this framework probably used the '12 budget.

Xavier Calvez: They used a combination of --

Roelof Meijer: (Inaudible)

Xavier Calvez: -- sorry. They used a combination of the '12 budget and the '12 year-to-date spend at the end of October to work with and the most current information, of course. When they looked at their staff needs they looked at the current situation, which they know what it is. And which they looked at based on the October results. But so, we had -- on the department-by-department basis, the information that the departments used was as current as the end of October with some qualifications that we had some things to shift from one department to the other. But leaving those details to the side, the departments had the October year-to-date information in their hands and they worked through the months of end of November and early December on -- or until the end of December on the input that they provided us. So I think they had the most current perspective to provide their input to us.

Roelof Meijer: Okay, thank you.

Xavier Calvez: Moving on, nothing new in this slide, it's just a little bit of a drill down of the activities that are in core on slide 10 and slide 11 to the point of not spending too much time and trying to finish on time, I will go over -- I will not go over that unless you comment on this down the road.

Slide 12 is just trying to provide a representation of the projects left. So you can see on the blue column the list of projects for 2012 that we are in the 2012 budget. We are trying to represent here the projects that we're expecting to be completed by the end of 2012. And the ones that we're expecting to carry over into 2013 and be added therefore to the list of projects in 2013.

So to the point of having an adequate status view of 2012, what we are in the process of doing, which we have not yet done nor represented in this slide, is which ones of the projects that carry out in 2012 carry out because, sorry, carry over because they were meant to versus the ones that carry over because we are late in delivering on them. And when I say we are late, we may be late as a committee or there may be environment issues that drive that lateness. So we are in the process of analyzing that because I think that would be useful to provide as an overview of 2012 as well to the point that we were just discussing with Lesley before.

We are providing more information on those strategic projects on page 13 as an overview. Again, as I said earlier in my presentation, the envelopes that are indicated there for the 2013 projects are estimates and have more or less, and I would say usually less than more, bottom up detailed information at this stage. And we are working with the departments to refine those estimates or to challenge them or to do what the normal process of iteration on the projects.

But I think it is relevant at this stage to provide as complete of a view as possible to everyone as to what the project lists are. And I would expect the community and you guys, but everyone else as well to weigh in on these lists of projects and based on the envelope amount that's indicated here, irrespective of the amount of detail that's behind it, to say well that sounds like a lot. Or that doesn't seem to be granted the importance that we think this project should have one way or the other. Or there are projects that should be in that list that are not.

So basically providing qualitative input as to how this makes sense or not or is incomplete or exceeding what it should. Or not adequately funded. We have attempted to provide a little bit of color on each of the projects in the subsequent slides to help a little bit the understanding of what each project is. And that carries us through to slide 14. So 14 are projects that we are still trying to understand the amounts associated with them and that the departments are still working on. And at the time we published this we didn't have the quantification that we wanted for these projects. But we wanted to nonetheless mention them and they would be potentially additive to the list on the previous slide.

So slide 15, 16. Sorry, let me just make sure -- yes. Slides 15 and 16 and 17 provide comments by project on the selected number of projects. Those are the ones that you can see on page 13 or indicated with a slide number. So on the fourth column from the left you see slide number with an asterisk. And you see number of pages that are indicated there. So the new gTLD operation is commented on slide 15. And the compliance improvements, fifth project from the top, is commented on slide 16. And we have tried to address the top 10 projects in this presentation so as to make it -- provide a certain amount of input while not expanding the size of this presentation with more detailed and less significant subjects.

Roelof Meijer: Xavier, I think we can go over those slides afterwards (inaudible).

Xavier Calvez: Absolutely, I didn't intend to do that now.

Roelof Meijer: I know, but I just want to check with the rest of the group. So my suggestion would be, if you all agree, that we move to slide 22.

Xavier Calvez: Right.

Roelof Meijer: Where we have an overview of the new gTLD application cost and --

Lesley Cowley: (Inaudible)

Roelof Meijer: Yes?

Lesley Cowley: Just wanted to make a brief point. The top 10 projects by budget amount was really helpful today. And that's the first time I've seen that presented in that way. That's really helpful for getting a feel for the kind of levels of expenditure on the key items. What I haven't done is check facts of course. The fact is matched by those being the key items on the strategic plan. A number of them are very familiar obviously. But I think it was very helpful as a presentation. I just didn't want to let that go without saying that.

Xavier Calvez: Understood and that's helpful to know so that we enhance this type of view in the future.

What we have intended, as you can see on slide 13, just to address partially your comment, we have intended to indicate the priority to which each of these projects contribute to address on the right of this slide 13. So you can see the priority and the number of the priority, and that corresponds to the rest of the 13 priorities that we've seen earlier in the presentation. So you can understand and relate which priority each of the projects is contributing to.

Roelof Meijer: Yes, so pretty much, Lesley, you're very right and it earns a compliment. It, yes, deserves a compliment.

Xavier Calvez: So, moving on to -- I will stop on slide 21, Roelof, but that's addressing slide 22 actually. So we just wanted to give an understanding on slide 21, or what appears on slide 22. And I will then go to slide 22, but I will let you guys go through the slide 21 when you do more detailed work to understand adequately what slide 22 presents.

So at a very high level, what we were intending to do here is provide a focus before we jump in the overall ICANN figures, a focus on the new gTLD application's impact just because they are so significant to understanding the overall numbers. And we thought it was actually helpful to have the understanding of those assumptions before jumping into the overall figures.

So you can see -- I will not necessarily over the detailed figures with a couple of exceptions. You can see the leftmost columns, the three leftmost columns that are highlighted in gray, if that's a highlight, that are faded in gray correspond to figures that you have seen six months or eight months ago in the fiscal year 2012 budget presentation. Those were the new gTLD figures produced then for the year 2012 and the year 2013.

We have amended and updated basically these figures as of more or less today so it's more a mid-December current view. The same information, 2012 and 2013.

I will only comment on the fact that we have retained a little bit of a different top down approach on the timing of recognition of the revenues and the expenses to correct some inaccuracies in the budget numbers and also mainly to reflect a matching of revenues and expenses in terms of timing of recognition. That is an accounting principle that I am expecting and I take ownership on this, you will understand why, that I am expecting will be meaningful in the exercise that we are currently going through of formulating the accounting treatment of revenues

and the accounting treatment of expenses in this -- as it relates specifically to the new gTLD program. Because these transactions are unusual enough in terms of what they represent to the program, whether the fees are (reticulated) or not until when can they be reticulated and how the expenses are incurred also affects the timing of recognition of revenues.

The bottom line is this exercise is a complex exercise. We are currently working to formulate the accounting treatment of revenues and expenses. We have started -- we have had at this stage high-level discussions with our editors, but we will have more detailed discussions with our editors to formalize a revenue and expenses recognition policy for the new gTLD program.

In the meantime, we have assumed that we would have a requirement to match or to have a reasonable amount of synchronization between the revenues that are recognized and the expenses that are recognized. And this is a principle that we have reflected in the updated view of the new gTLD application. And therefore I'm talking a lot about the split between 2012 and 2013 of the total amounts. This slide is still based on an assumption of 500 applications, which is what the budget assumption was for 2012. And we have not tried to revise because we don't have information to be able to do that.

Of course, what we are working on on the budget is that by the time we publish the budget, we will know what the number of applications is. And that creates for us a little bit of a paradigm, which is that we need to work through the bottom of budget process without knowing the number of applications that we are going to have. But by the time we publish the budget, we will also publish, actually normally on the same day, we're going to also publish the number of applications.

And as a result, we will have to formulate a set of scenarios in the budget that will help us address the fact that this timing coincidence is adequately taken into account in the final budget. So we'll have to revise this amount basically.

Lesley Cowley:

As one would imagine. I don't envy you with respect to that task. I guess from a community point of view though, it would be helpful to have a better understanding for the effect of magnitudes of changes. So for example, if there were a (inaudible) application that may not double some of those cost lines, but in others it could well double some of those cost lines. Are you with me?

Xavier Calvez:

I am completely with you, Lesley, and I was laughing when you were formulating your question, not because it's a funny question, but because that's the one that I had as well and that we have determined to -- at the time of the framework to not formulate scenarios. But I completely agree with you. We need to do it. We don't have a choice, and by the way it's actually very interesting to see how that comes out when you formulate those scenarios.

So we are working on that. We have not -- we have purposefully not tried to do that in the framework, and the staff people on the call can attest that we had this discussion. And my original preference was to produce scenarios, but I think it was a more reasonable approach to not entertain speculation on the one hand, not put ourselves into a corner on the other hand because that would have been a fairly difficult exercise to do within a very short time and it would not have been easy. But we are working on that and we will do that for the sake of the budget. And we will have probably a fairly comprehensive set of slides in the budget relative to the new gTLD scenarios to the point of timing that we are making earlier.

Lesley Cowley:

I mean just to be clearer, I'm not by any stretch recommending that you do (inaudible) scenarios. It's really to share an understanding of the effect of

different scaling in effect. So not in terms of producing the revised figures for 750 or whatever, but trying to get a better feel amongst the community for the relationship --

Roelof Meijer: And the cost per drivers.

Lesley Cowley: Yes.

Xavier Calvez: And, sorry, someone said something that I didn't understand.

Roelof Meijer: Yes, I said the cost drivers. I think that's what Lesley is looking for. Those things should really increase when you get a higher number of applications.

Xavier Calvez: Right. And I'm completely with you. That's exactly the type of things that we want to be able to understand and modeling this will help us formulate adequately the assumption on the cost-by-cost basis or on a nature of cost by nature of cost basis to understand what (inaudible) to what start, what -- how things vary and how therefore does the overall financial impact come up. So I'm completely with you. I completely agree with the rationale and the need. And we have the same needs and rationale in mind.

Roelof Meijer: Okay. Xavier, just to make sure that I understand what is presented to us, your sixth column from the left, the blue one, in the middle current view. It says fiscal year '13 4,000. Is that not fiscal year '13 budget or framework?

Xavier Calvez: So, sorry. I'm laughing as well because we are touching another discussion that we had at length. So it is the formulation of the 2013 numbers as of today. Yes. It will not be the budget, we already know that because we know that the budget will be formulated on the basis of the actual number of applications. We could have called it framework or 2013 view as at the time of the framework. But this is the most current view that we have basically of 2013 on the basis of what's going to happen in 2012 as well of course.

Roelof Meijer: Yes, okay. And if I'm not mistaken, the current view is that for the fiscal year of '12 and '13 together the new gTLD program is going to run the physical \$642,000. And that is with a \$30 million risk of course budget in it, right?

Xavier Calvez: Yes, and to be precise, maybe we should have just directly do that. The point there was that we're expecting -- at the 500 level we are expecting this program to be breakeven on the basis of the estimates of costs that have been formulated before. And so you're correct. We're looking at this as a breakeven situation not as a loss of \$642,000 or a gain of \$100,000 or whatever. But yes, you're correct. This is a breakeven project and assuming, obviously, that we would have at the end of the day costs that would be incurred to address risks of the \$30 million.

Now, just so that we're clear, if we would be talking purely and simply of P&L and net results, because of the timing of recognition of costs, until a risk is emerged and has a likelihood of generating expenses for ICANN, we can't book those costs. So there may be a timing difference between the time that the upper part of the schedule is effectively represented in our books and the time that we incur risks, that are mentioned below, that may create an optical difference where in 2013 we may have a big net difference that's positive, but risks that are running down the road and that may materialize six months or 12 months later and at the time of which we are going to incur the costs. If you see what I'm saying, so.

Roelof Meijer: Yes.

Xavier Calvez: The timing is actually -- could impact this view and I'm sure will impact this view tremendously.

Roelof Meijer: Yes, okay. Just a matter of order, we are running out of time. We've got about 13 slides to go. I just want to check with my team. And I would propose that you tell Xavier which particular of the remaining slides you would want him to address. Assuming that we still have some time. Does everybody still have a bit of time or do we have people that really have to leave the call now?

Lesley Cowley: I'm fine. Slide 24.

Xavier Calvez: Slide 24.

Roelof Meijer: Okay, anybody else who wants to have a particular slide or a particular set of slides being highlighted by Xavier before we move to teams and work division and things like that? Okay.

Xavier Calvez: What I suggest, Roelof, is that we go on slide 24 and then I'll scan through the rest of the slides very quickly to just describe what the slide is and move on, so it will be a three word type slide and --

Roelof Meijer: Yes, well maybe it's even better because the remaining slides are mainly about main assumptions.

Xavier Calvez: Right.

Roelof Meijer: We can go over -- we will go over those by ourselves, but maybe you can highlight those that you think that are of primary importance to us.

Xavier Calvez: Understood.

Roelof Meijer: And maybe assumptions where you think these really have an impact, you should pay attention to.

Xavier Calvez: Sure.

Roelof Meijer: Yes? Okay, go ahead.

Xavier Calvez: So slide 24 and I'll let you ask your question, Lesley, and then that let us get into this slide.

Lesley Cowley: Thank you. I have a bit of an interest in staff numbers. And I saw these staff numbers on slide 26 as well, but you don't need to go to slide 26. That was really an indication that staff numbers are currently lower than budgeted, which is one of those things where given how stretched everyone seems to be and the large number of projects, et cetera, unlike my normal comments, I was going to make a comment around is that enough under personnel given, in effect, that there's quite a gap between desirable numbers and current numbers? Often it takes time to recruit people and get them onboard, et cetera. And I was just really a bit worried that there isn't enough resource to do the plan.

And those of you that know me (inaudible), I'm one that kind of says if you haven't got enough resources to do the plan, then maybe we should cut back on the plan. We have a tendency to not do that at ICANN, just kind of assume that the existing people will stretch to deliver everything that we've agreed to do.

But so my question really is probably a bit more broad. Is there sufficient being put in to get the organization up to the staffing level required? And the figures in FY'12 versus '13 didn't really indicate enough investment to me, if that is indeed the head count that will be needed to [deliver].

Xavier Calvez: So, I'm trying to -- I will try to be short about the answer, but to the effect of trying to be short, I think the concerns that you formulate are real or valid. I think that -- I wouldn't say the answer is yes. We are not forecasting or budgeting for enough compensation costs. I think that this is part of what we need to address through the bottom of processes, trying to understand, probably in a more realistic manner, what staff increase we need to materialize in the next few months. And we can materialize in the next few months.

And have that process validate the more top down process of this is all what we need to do and therefore we need this much more resources. And when you look at that, it creates a gap of 40 people, which, by the way, I think this was the budget 2013 -- well, sorry, 2012 was 43 people to be added to 120 something. I don't remember all the numbers in mind, but that was basically a 30% increase. And I think that unless you gear the entire organization to hiring, a 30% increase of headcount is not realistic. And what we see today is that we are not delivering as fast as we could or should on that headcount increase.

And sometimes, I'll tell you, it's for the good. Sometimes I can see, for example, John Jeffery on legal has not yet hired people that he had planned in the budget to hire a couple of months ago. And it's not necessarily that required.

Now, having said that, what you are saying is real that we do see on a daily basis, including on finance, but more generally speaking across ICANN staff, a lot of pressure on the staff who's stretched. And that has an impact on operational delivery obviously.

So, I agree generally speaking with your concern and I think we have formulated that with ICANN. I know that Rod is also very much aware of it and what we are going to try to do through the bottom of budget is try to address a more realistic approach. And potentially, by the way, explicitly formulating that if we are not able to put in place the resources by a certain time of the year, there's a number of things that we should already formulate we would not do. Because that's becoming therefore a representation. We recognize the fact that it does take resources to do things and we can't continue having a gap between the two.

Lesley Cowley: Yes, I mean the ccNSO has previously made to be back on the strategic plan along exactly those lines, saying that it takes a great deal of time and effort to recruit people and then to train them and insert them into the organization. So there is a limit to how many people you can take on each year in effect without there being a huge impact on what you're already trying to do.

Xavier Calvez: Absolutely.

Lesley Cowley: So, yes. Okay, thank you.

Xavier Calvez: Any other comments on this slide? And I'm not trying to assume that there should be any. This is probably one of the slides where you're going to spend a lot of time, but I just wanted to make sure we address questions so that you can move on to your work easier.

Roelof Meijer: Xavier, thank you. Any other questions? Okay, I have one, Xavier. Am I reading the slide correctly if I say that without the new gTLD project ICANN expects to run an operational loss of \$6.3 million US dollars in the fiscal year 2013? Which is only turned into a positive change in net assets because there are some historical costs, so those are costs not related to the operations of '13. But costs incurred for the new gTLD project in the years before by a \$10 million plus on those historical costs. So there's a \$6.3 million operational loss for those things done or supposed to be done in the fiscal year '13. Is that correct?

Xavier Calvez: So that's how it looks and the answer is no. So, yes it looks like you have a core that's in deficit and you have a new gTLD that overcompensates that deficit.

The issue that we are dealing with right now is that in the core operations we have started formulating impacts -- or let me rephrase -- costs incurred in relation to operating the new gTLDs that will be granted through the application -- or not the application process, but the delegation process. So after the application period, at the end of mid-April, we will start processing applications. We'll be granting names at some point towards to begin with probably towards the end of the year and we will start operating new registries in some. The drafting contracts, operating those new registries. That drives costs.

What we are showing in the core operations are the activities -- all the same activities and with some changes that we have currently, but also an increase in activities that are driven by more registries to manage basically. More contracts to drive.

So just to conclude on my answer, the new gTLD column only includes the application process impact. So the application fee and the applications costs, not necessarily the cost of operating the new gTLD. So that's part of the answer, but -- it's the main part of the answer, but we are also intending to try to sort that out as part of the bottom of budget to ensure that we have a correct understanding of that impact on one hand that we're looking at matching costs and revenues on the core operations on a continuing basis. What I mean by that is, we may incur costs in 2013 that may generate revenues -- or for which, sorry, the revenues will only come maybe in 2014 because those registries will be ramping up.

And but we're not capitalizing costs to be expensed for the future, so we will incur the costs probably up front in 2013, although the revenues may come down the road.

Roelof Meijer: Okay, so the operational losses we see is because there are costs for the operation of new gTLDs, while there's no revenue for the operation of new gTLDs yet.

Xavier Calvez: Or -- correct. And when we say no it's very minimal in 2013 the way we are currently assuming it.

Roelof Meijer: Okay, thank you. Any other questions?

Xavier Calvez: Sorry.

Roelof Meijer: No, carry on, Xavier.

Xavier Calvez: I will go over the next slides very quickly. We've tried to provide a bit of a view on the assumptions that we are making in these figures. I think a number of them are self-explanatory and -- or most of them are. I won't stop there. I don't think anything is surprising to you guys there. If it is, let me know as I go through those slides.

Just so that you know, as you already know, but just to relate to our conversation with Lesley earlier, headcount and professional fees sometimes go in pair from the perspective that if we don't have the internal resources we may externalize the services required. It's not necessarily the right thing to do, but you always have to decide to determine whether the resource needs are permanent or an expertise that you want to have internally versus externally. So sometimes the decision is made together.

I'll move on. Sorry, I was on page 26. I'll move on to page 27. I don't know if there's any specific question there.

Lesley Cowley: Xavier, does that infrastructure costs assume that the Palo Alto office is retained as well?

Xavier Calvez: Yes, we have not assumed that it's closed and don't know of any plans that it should be closed.

Lesley Cowley: Thank you.

Xavier Calvez: Security, page 28. We are providing a certain amount of departmental input on what are expected to be increases or changes in activities. I will only emphasize on this slide 28 the language services that we are working on formulating a plan that tries to address priorities, strategic priorities, fiscal 2013 priorities, and needs that have been formulated by the community across-the-board. And that put tremendous amount of pressure on our meetings team and language services team, and shows that we probably need to ramp up on the level of service that we provide there. So that's an element that's fairly meaningful and that we will talk again at the time of the budget.

I'm just scanning through slide 29, just as an assumption that you guys understand is there. We are assuming that we are going to continue on the [INA] contract, though it's in RFP. We have responded to the RFP and are awaiting the next steps of the process. But in the meantime we have assumed that we continue the INA contract. Don't have any element to speculate one way or the other.

The revenues are detailed from page 30 to 32. And I think that brings us to more or less the end of the presentation with one slide on contingency. And I'm happy to discuss that either now or down the road if you would like. But since we are over time, I'm suggesting to leave that to you.

Roelof Meijer: Yes.

Lesley Cowley: Can I ask a quick question on 31 on ccTLD collections?

Xavier Calvez: Yes.

Roelof Meijer: I can't imagine why you would like to do that. Let's carry on anyway.

Lesley Cowley: (Inaudible) Does that assume that the current basis of payment continues? That we've yet to change that?

Xavier Calvez: I'm not sure I understand your question. We are assuming here an amount that's slightly lower than the actuals of 2011.

Lesley Cowley: Okay, so --

Xavier Calvez: And that's the extent of the assumption.

Lesley Cowley: -- if you expect -- expected collections raise. I wasn't sure what kind of expectations you had. So you're saying a similar level to that in FY'12. Sorry, FY -- yes, '11 and '12.

Xavier Calvez: Yes.

Roelof Meijer: Yes, slightly lower.

Lesley Cowley: Yes.

Xavier Calvez: Yes, I think we are \$1.995 million or something like that. We're very close to \$2 million. We have just -- we don't have a reason to assume that that's going to drop tremendously or increase tremendously and we've been slightly cautious, so we brought it -- we rounded it down to the next \$100,000. That's the extent of the (inaudible).

Lesley Cowley: That's helpful. That's why the FY'12 budget figure -- I was just looking at the growth between the two, but you're talking about '12 actuals. Yes, thank you.

Xavier Calvez: I recognize it may look optically like a big growth, but it's actually not.

Roelof Meijer: Which is exactly why actuals are so helpful.

Xavier Calvez: Yes, I --

Roelof Meijer: That was (inaudible) at this point.

Xavier Calvez: I agree and we will try to add that in the future for sure.

Roelof Meijer: Okay, thank you very much, Xavier, for taking so much time for us.

Xavier Calvez: No problem. Thank you for your time and bearing with us.

Roelof Meijer: (Inaudible)

Xavier Calvez: And of course, we are available by email, by phone, whichever way you would like, to receive your questions on this. And we will reconfirm also the timing of public comment and so on. But we're working by the -- basically the 21 plus 21 days as per the most recent public comment process that's been implemented January 1st. But we will apply flexibility of course in receiving questions. And I don't -- if we can answer a question quickly, that helps you guys move forward quicker, I'm very happy to do that as well.

Roelof Meijer: Okay, thank you very much. And we'll be in touch if necessary and we will do everything to reach the deadlines.

Xavier Calvez: Okay.

Roelof Meijer: Sorry, was there somebody who wanted to say something?

Bart Boswinkel: Yes, it's me. This is Bart.

Roelof Meijer: Hi, Bart.

Bart Boswinkel: What we will do is say -- I just discussed it with Gabby. Normally we don't, but this is the first time, is that we will have a transcript of this call as well to be sent out to the SOP and to ICANN staff. So (inaudible), a real transcript.

Roelof Meijer: Excellent.

Bart Boswinkel: From the recording.

Roelof Meijer: Okay, thank you very much.

Xavier Calvez: Bart, you should have told me that before so that I don't say anything that I've said before.

Roelof Meijer: Bart, that was (inaudible).

Bart Boswinkel: I checked.

Roelof Meijer: Okay, thank you very much, Xavier.

Xavier Calvez: Thank you. So you would like us to drop off now, right?

Roelof Meijer: That's fine, yes.

Xavier Calvez: Okay, thank you very much to everyone. Looking forward to seeing you guys in San Jose.

Roelof Meijer: Okay, thank you.

Xavier Calvez: Thank you. Bye-bye.

Roelof Meijer: So, we still have the theme here. Just quickly, Bart, do you want to -- you sent us an email. I don't know if you have anything to add on the timeline. Maybe it's just better to tell us again.

Bart Boswinkel: No, not really.

Roelof Meijer: I think, Byron, are you still there?

Bart Boswinkel: No, he's not. He sent an email, so it's just you and Lesley, Roelof.

Roelof Meijer: Okay.

Lesley Cowley: And then there were two.

Roelof Meijer: Okay, well I think then -- just to check with Lesley, because I know that Bart agrees because we discussed it yesterday. So Lesley, what did you think of the proposal to proceed with the things that we used last year among the same division of, let's say, the specific parts of the framework, as last year?

Lesley Cowley: Absolutely fine.

Roelof Meijer: Okay. Okay, so Bart, Lesley, I think we can cut this short. We will just -- well, the three of us will just decide that the timeline is the timeline and that the division of teams is the division of teams. And we will --

Bart Boswinkel: (Inaudible) already confirmed. He's very comfortable with it. That was in the chat box.

Roelof Meijer: Yes, okay fine. But maybe we should send out an email to make sure that everybody knows this is not a proposal any longer, but this is the way we're going to do it and that we ask every team to work with the staff.

Bart Boswinkel: Yes, and so I can do that later this evening. And say -- and I will also inform the SOP that -- say it takes about 72 hours to get it all written up, that we send a transcript of the call to the SOP so they can read what has been said. It's always easier than listening back.

Roelof Meijer: Yes. So, Lesley, what is your general feeling about this document as compared to last year's?

Lesley Cowley: It's better, a lot better. Room for improvement, but a lot better.

Roelof Meijer: Yes, that's what I -- especially there's a big improvement in the way things are presented, right? And I think also the -- I talked to Xavier before and I discussed with him that there were -- last year we had the sentiment that there was more detail behind the financial figures than was presented in the framework. And possibly that drove him to come up with the assumptions with the explanation on how we approach it towards the staff, just asking what they thought might (inaudible). So I think it makes -- yes. There's still room for improvement, but we are -- yes. We're definitely making progress here.

I had a chat with him on the phone, but I'll come back to that during our council call. But I had a chat with him on the phone and he briefed me about the progress with the implementation of the new financial system.

Lesley Cowley: Ah, yes.

Roelof Meijer: And then I wasn't too happy about that. He's really struggling with it. A big part of it has been implemented, but in fact it is a rebuilt as is system. The design is just like the previous one, so we cannot expect anything more on, for instance, expense area groups as the situation was before this new (inaudible).

Lesley Cowley: Right. Okay, we'll have to think about that one then.

Roelof Meijer: Yes, because I remember that we agreed in Dakar with the board that we would await the implementation of the new system before we would readdress this whole issue of the cost of the ccTLDs and what to do about it. But because we needed some answers and this new system is not going to provide us with the answers (inaudible).

Lesley Cowley: Okay, all right. We need to have a discussion with Byron on that then as to what we do next.

Roelof Meijer: Yes.

Lesley Cowley: Yes, okay.

Roelof Meijer: But that was just to give this whole call a happy ending.

Lesley Cowley: Well, thank you so much for that.

Roelof Meijer: Well, now with that, it was good to have Xavier here and I think he really did his best. So --

Lesley Cowley: Yes.

Roelof Meijer: Okay, well thank you, guys, for being there. And Bart, maybe we should be in touch tomorrow or is it you who will send out the reconfirmation email or what do you want me to do?

Bart Boswinkel: Let's get in touch tomorrow. I'll be at home anyway, so just call me anytime you want.

Roelof Meijer: Okay, I'll try to squeeze that in.

Bart Boswinkel: Yes, and say just to more forward, I think it's better from you, the email.

Roelof Meijer: Yes.

Bart Boswinkel: What I could do is send a draft to you, you can resend it.

Roelof Meijer: Yes, but okay, well we'll see. So what happened to Gabby? Is Gabby still on the call or is she --?

Gabriella Schittek: I'm here, I'm here.

Roelof Meijer: Okay, very good. Okay, well, Bart, Gabby, thank you very much again for your support. And well, we'll talk to each other soon.

Bart Boswinkel: Yes, okay. Take care.

Lesley Cowley: Thanks so much, everyone.

Gabriella Schittek: Thank you.

Roelof Meijer: Thank you, Lesley. Bye-bye. Good evening, everyone.

Gabriella Schittek: Bye.