COMMENTS ON ICANN'S FRAMEWORK FOR THE FY13 OPERATING PLAN

AND BUDGET BY THE CCNSO STRATEGIC AND OPERATING PLANNING WORKING GROUP

Summary

The Framework for the FY13 Operating Plan and Budget has considerably improved compared to the FY12 Framework. In particular both the "main assumptions" section and the link between FY13 priorities and the '13-'15 strategic plan are considered to be very helpful to clarify the foundation on which the Framework has been construed.

The SOP WG major concerns with the FY13 Framework are:

- ICANN urgently needs to be professionalized in a number of areas in order to obtain operational excellence and world class corporate governance. The Framework does not even touch on this subject;

- Focus of ICANN and the community is essential: a large number of strategic projects is added to the list, while many of the FY12 projects still need to be completed;

- The proposed increase in staff and the low rate ICANN at which ICANN is been able to hire new staff;

- The rate at which both the organization and its budget are expected to grow, in relation to the clear and urgent need to improve performance and quality

- The financial position at the end of FY 2013 i.e. whether ICANN runs a deficit budget and if and to what extent ICANN will financial contribute to its own Strategic Fund

Introduction

The Strategic and Operational Planning Working Group (SOP WG) of the ccNSO welcomes the opportunity to comment on ICANN's FY13 Operating Plan and Budget Framework.

The SOP WG was created at the Cairo ICANN meeting in November 2008. The goal of the WG is to coordinate, facilitate, and increase the participation of ccTLD managers in ICANN's strategic and Operating planning processes and budgetary processes.

According to its Charter (http://ccnso.icann.org/workinggroups/sopiwg-charter-18aug10-en.pdf) the WG may as part of its activities take a position and provide input to the public comments forum and relate to ICANN or other Supporting Organizations and Advisory WG's on its own behalf. The views expressed are therefore not necessarily those of the ccNSO (Council and membership) or ccTLD community at large. The ccNSO Council and individual ccTLD managers, either collectively or individually, will be invited to endorse or support the position or input of the WG.

Membership of the WG is open to all ccTLD managers (members and non-members of the ccNSO).

To facilitate ICANN to relate our comments to the relevant sections of the Framework, we have followed the structure of the Framework and have categorized our submissions as follows:

- General

- Core Operations

- Strategic Projects

- New gTLDs

- Framework assumptions and Budget

The SOP WG wants to thank ICANN's CFO Mr. Xavier Calvez for providing additional clarifications and explanation during the process of preparing this submission.

General

- *Improvements*: The Framework FY 2013 Operating Plan and Budget itself has considerably improved compared to the FY 2012 Framework. In particular both the "main assumptions" section and the link between FY13 priorities and the '13-'15 strategic plan are considered to be very helpful to clarify the foundation on which the Framework has been construed.

- *Strategic Plan*: The SOP WG notes that at the time of publication of the FY 2013 Framework, ICANN's Board of Directors had not yet adopted the FY 2012-2015 Strategic Plan, although the Framework is based on that plan.

- *Need to Professionalize*: The ICANN organization urgently needs to be professionalized in certain areas. In times of global financial crisis, costs are out of control while accurate and timely financial management information is lacking. Staff FTE's need to be increased, but retention at senior level has been at an alarming low level and recruitment is slow. ICANN is regularly criticized for not meeting its own deadlines nor adhering to its own procedures. We would expect the Framework, and especially the Operating Plan to set out goals and activities in order to obtain cost efficiency and effectiveness, operational excellence in all areas and world class corporate governance.

- *Measurable Objectives*: Although the SOP WG realizes that the Framework is published to seek input from the community on the priorities, plans and resource requirements for ICANN's activities for the upcoming fiscal year (FY 2013), we recommend the inclusion of measurable goals and targets in the draft annual Budget and Operating Plan itself, bearing in mind they can be qualitative and/or quantitative.

- *Planning and Control*: It is the understanding of the SOP WG that the FY 12 Forecast is not yet completed, and that the FY 2013 Framework is based on the FY 12 October YTD report and the FY 2012 Ops Plan and Budget. Unless the financial administration is tightly controlled and there is no significant over- and under spending, the WG considers this a poor procedure and a weak basis to publish a budget for public comment for a not-for profit company with anticipated revenue of USD 144 Mio.

- The "*Composite View of Budget*" serves no purpose and might very well lead to wrong conclusions. It is the understanding of the SOP WG based on the explanation of ICANN's CFO that in the USD 63.1 Mio. For Core Ops, a significant amount is included for project expenses, but a meaningful estimate of this amount can not be provided.

- *Cost Containment*: We welcome the opportunity for SO and ACs to submit requests for new services. However, considering that the budget without new gTLDs already appears to be in deficit, we believe no additional requests should be granted unless an equivalent source of cost reduction is identified and approved for the FY 2013.

Core Operations

- *Cost Reduction*: We see little if no indication in the FY 2013 Framework to reduce or contain costs for activities that are not vital to the achievement of the key objectives. As for the expenses related to Core Operations, we suggest to:
    - o Introduce the goal of regularly evaluating the "organization effectiveness and improvement" as well as "organizational activities", including the expenses associated to the ICANN Public Meetings, Nom Com, Facilities and Staff support;
    - o Work on specific plans - shared with the community – on certain elements like the staff increase, ICANN offices location and the community travel support.

- *IANA Function*: One of the major assumptions and ICANN priorities is the renewal of the IANA contract. The SOP WG understands that the assumption with regard to IANA contract will be validated before the draft FY 2013 Ops Plan and Budget will be published. However we believe that the FY 2013 Framework would have benefitted from a (worst case) scenario without the IANA contract.

- *IDN TLD's (including IDN ccTLD Fast Track Process)*: The SOP WG is pleased to see that "Enhance a multilingual Strategy" as well as two projects on the IDN Variant Management are now included in the Strategic Projects list. However, we recommend ICANN envisage a coherent coordination of all the IDN and multilingualism related projects, and stays focused on its core mission in this regard.

- *Security, Stability and Resiliency*: The SOP WG reiterates its recommendation to include enhanced partnerships with other organization as well and a careful and measurable review

of ICANN role and activities in this area, in particular to validate the assumption that the level of activity and resources will increase.

- *Travel and Meetings*: The SOP WG remains concerned about the ever increasing travel and meetings budget (we refer to previous submissions). As recommended during the past consultation round, an in-depth review of the meetings budget is highly recommended both to contain expenses and to ensure that adequate travel support is provided to only those applicants that would otherwise not be able to attend.

- *International relations*: The SOP WG is pleased to see that "Widen international engagement' is now included as a new project in the FY 2013 Framework. The WG would like to understand how this project relates to other projects and operations, such as "Intercessional Meetings", ICANN Public Meetings and International Relations. We would like to highlight that time has come for ICANN to develop a focused and long-term strategy for International Relations, which are an extremely sensitive area and is in need of continuity, intelligence skills, dialogue and regular cooperation.

Strategic Projects

- *Presentation*: The WG appreciates the improved clarity in the presentation of the FY 2013 strategic projects and appreciates and that the draft FY 2013 Ops Plan and Budget will include a description of all those projects.

- *Focus and priority*: The WG notes that the list of projects contained in the FY 2013 Framework (37 Strategic Projects) is again longer then the list presented the FY 2012 Ops Plan and Budget (27 Projects). It also notes that more then half of the FY 2012 projects (15 projects) have not been completed and are carried over into FY 2013. The WG would therefore welcome an explanation how ICANN intends to complete the proposed projects under the draft FY 2013 ops Plan and Budget, in a timely manner within the proposed budget constrains and ensure an adequate quality. The WG suggests ICANN (and the community for that matter) to be highly selective on the projects and limit these to the most strategic.

With regard to the specific projects the SOP WG notes the following:

- *IDN Variants Project*: Taking into account the size of the project (both in terms of funding and other resources, including the contribution of volunteers), we would appreciate an explanation of the necessity or need of this project and how this project fits within ICANN's mission.

- *Advance WHOIS Program*: Although certain activities are stated, it is unclear to us what this project is about and what the objectives are. There is an existing set of standards, which are supposed to substitute WHOIS.

- *DNS Security*: This project contains training for DNSSec adoption and DNS capacity building initiatives. In the view of the SOP WG, worldwide training is definitely not part of ICANNs core mission and business. It is unclear if and to what extent ICANN's training is aligned with other initiatives; for example OpenDNSSEC (http://www.opendnssec.org/support/trainings/). It is also unclear how DNS security would improve if ICANN trains law enforcement agencies.

- *CRM*: There are very good public domain tools for CRM. ICANN might consider adopting one of those and reduce cost.

- *DNSSEC Propagation*: this project contains support to DNSSEC signing and adoption by large organizations and governments worldwide. In the view of the SOP WG targeting large ISPs and governments to promote DNSSEC is not within ICANN's mandate.

- *Root Zone System Monitoring*: According to the description of this project a baseline measurements for performance of Root Server system and related Root Zone management systems should be established and statistics and trends in performance identified and published. In the view of the WG there are already measurement systems in place; for example dnsmon. See http://www.root-servers.org/ and http://dnsmon.ripe.net/dnsservmon/domain/summary?domain=root&af=ipv4&show=SHOW The WG would appreciate an explanation what would clarify the need and distinguish the results of this project from existing methods.

New gTLDs

- *Objection Fee Revenue:* Part of the new gTLD program is an objection process whereby each party filing an objection has to pay a fee. The expected revenue resulting from the objection process should be, but is not, included in the FY13 Framework.

- *Auction Revenue:* According to the new gTLD process, strings will be auctioned when multiple eligible applications are filed for the same string. The expected revenue resulting from the auction process should be, but is not, included in the FY13 Framework.

- *Transparency Multiyear Cost Allocations:* Part of the expected new gTLD revenues in FY 2013 (totaling USD 92.5 Mio) will be cost recovery of recent years as well as prepayments for anticipated costs incurred over the next year(s). In the view of the SOP WG, a clear calculation and allocation of those costs should be included (as an appendix) in the FY 2013 budget.

Framework assumptions and Budget

- *Presentation*: The financial overview on page 22 merits clarification. "FY13 Forecast" under "current view" should read "FY13 budget"

- *Operating Deficit*: The FY 2013 (financial) Framework on page 24 shows a change in net assets for core ops and projects of USD 6.316 Mio, an 8% deficit. The SOP WG is very concerned about this Operating deficit, however as indicated the costs of core operations include the costs of operating (approved) new gTLDs (for which the revenues would come in the following year). At the same time the WG notes that the types of costs or amounts involved can not be stated. As a result it remains unclear if ICANN will run an Operating loss or not.

- *Staffing*: According to the FY 2013 Framework the anticipated headcount in FTE, including the new gTLD department, at the end of FY 2013 will be 194 FTE. The forecast headcount at FY12 end is 159 FTE (FY 2012 Ops Plan and Budget: 173 FTE). The SOP WG notes FY12 recruitment has been in arrears. At the same time it notes that between January 2012 and June 2013 staff should increase with 53 FTE, almost 38 % over current staffing. The SOP WG would appreciate knowing how ICANN intends to ensure hiring additional staff at such a historically exceptionally high rate, also in light of the anticipated change of leadership, while maintaining the necessary high quality standards. Finally, the SOP WG would also appreciate to understand the impact of the arrears of new hires on the priorities and projects and the implications for the FY 2013 budget.

- *Strategic Fund*: The SOP WG would like to understand the intended contribution to the strategic fund for FY 2013. It appears that ICANN again in FY13, will not contribute to its Strategic Fund, contrary to its strategy. For that matter the WG reiterates its FY12 comment and question if according to ICANN's Strategic Plan ICANN's Reserve Fund should be set at a **minimum** of one year of operating expenses, what the timeframe is to reach that goal?

We trust that our input and comments will help ICANN to adopt a FY 2013 Operating plan and Budget that meets the standards of efficiency, effectiveness, transparency and accountability as pursued by the organization and needed by the community.

We would welcome a response on our submission, in particular to understand which comments will be reflected in the draft FY 2013 Operating Plan and Budget and, more importantly, which were not and the associated reasoning.

On behalf on the ccNSO SOP Working Group

Roelof Meijer,

Chair