

# COMMENTS ON ICANN'S FY13 OPERATING PLAN AND BUDGET

## Executive Summary

- The recent adjustments in the comment process on the basis of ATRT recommendations have an adverse effect on ability of the community to provide constructive and timely comments.
- ICANN needs to improve the predictability of and the adherence to the planning of the comment process
- ICANN urgently needs to become more professional in a number of areas in order to achieve operational excellence and world-class corporate governance. This is critical for success, and thereby conditional for ICANN to maintain its role and position. There is not enough focus on this aspect in the plan
- Focus of ICANN and the community is essential. With 13 strategic priorities, 25 projects and the new gTLD program, this plan seems unrealistic and risks of overstretching capacity of volunteers and/or ICANN staff.
- As before, the SOP WG urges ICANN to include quantitative and/or qualitative, measurable milestones, goals and deliverables for the various activities and projects in the plan.
- With an increase in operating costs of 19% and of 11% in revenues, the budget looks unbalanced. We reiterate our earlier (FY12) concern that costs are spiraling out of control and again no contributions are made to the 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 FY 2013 draft Operating Plan and Budget, we have categorised our submissions as follows:

- Process
- General and Budget
- Operations

**Process** (excerpt from the SOP WG interim submission of 24 May 2012)

*Adverse impact of changed comment process.* The SOP WG notes that the public comment on the draft Operational Plan and Budget has been adjusted to reflect the implementation of the ATRT Recommendations nr 15-17. The public comment period on ICANN Draft FY2013 Operating Plan and Budget opened on 1 May 2012 and closed on 24 May 2012, and the “Response Cycle” closes on 15 June 2012. Effectively this results in a reduction of the public comment period from 31 days to 24 days, compared to last year’s process. At the same time the volume and complexity of the FY 2013 draft Ops plan and Budget has increased considerably. The SOP WG believes that the revised, split, public comments timeframe for this fundamental process has the exact opposite effect than the intended purpose “to provide adequate opportunity for meaningful and timely comment.”<sup>1</sup> Although it is outside the scope of the draft Ops Plan and Budget, the WG urges ICANN, in particular the ICANN Board Public Participation Committee and assigned staff, to review and reconsider the current, public comment process for the future, including its timeframes.

*Need to increase predictability of planning process.* Since its creation in November 2008, the SOP WG has been involved and provided input in ICANN’s strategic and operational and budget planning processes. On numerous occasions, the SOP WG has stressed the importance of –and lack of- predictable and adequate scheduling. The SOP WG is concerned that only after the draft FY13 Ops Plan and Budget was made public, briefing calls were organised and eventually re-scheduled. Moreover, the fact that the calls were set halfway through the public comment period itself reduces the effectiveness of

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<sup>1</sup> ATRT Recommendation 17.

the process. The SOP WG strongly urges ICANN to be consistent with its planning, and schedule well in advance of publication of its Operational Plan and Budget (Framework).

### **General and Budget**

*Lack of measurable goals.* For each of the listed strategic priorities, activities and projects, we continue to recommend the inclusion of measurable milestones, deliverables and goals in the Operating Plan, bearing in mind that the measurements can be both qualitative and quantitative. Without these, it is impossible (for the CEO, Board, staff and the community) to appropriately measure progress, signal lack thereof and take corrective measures

*Diverging increase in revenues and expenses.* The SOP WG notes that according to the FY13 draft Ops Plan and Budget operating expenses are estimated at \$74.4 million (vs. \$62.6 million in FY12), an **18.8** percent increase over the FY12 forecast, against an estimated **11.4** percent increase in revenues (\$78.9 million vs. \$70.8 million in FY12). The SOP reiterates its comments from previous submissions that costs seem to be spiraling out of control.

*Management challenge.* It is the understanding of the SOP WG that the increase in expenses mainly results from an increase of \$ 4.7 million in employee costs and \$ 5.8 million in Professional Services (again without taking into account the new gTLD program). The SOP WG reiterates its concern that ICANN may not be structured to cope with management challenges, it faces with the planned increase in number of employees and professional services. Even more so if one takes into account the envisioned use of Professional Services for the new gTLD program (budgeted at \$ 30 million.) The SOP WG would appreciate to learn how ICANN anticipates managing the expected growth of the organization and the professional services..

*Costs increase across the board.* The SOP WG notes that according to the Functional overview of the “Organizational Activities” (page 8), every single activity shows an increased budget compared to the FY12 Forecast, ranging from 1.9% to 85.1%. This is neither a desirable nor a logical development.

*Large FY12 budget vs forecast deviation.* The SOP WG notes that the FY 2012 adopted budget indicated an operating loss of \$ 3.5million. The FY 12 Forecast now shows a profit of \$ 5.5 million. That is a \$ 9 million difference between budget and forecast or 12 % on a budget of \$ 70.6 million. Although this is an improvement in budgeting compared to FY 2011 (over 20% difference), the SOP WG is concerned about the difference between the budgeted expenses and forecast/actual spending and would like to understand the difference over the years, in particular if there is structural under-spending over budget in some area’s and the reasons for doing so.

*Lack of focus.* In the context of realistic planning, the WG also notes that the FY 2013 plan contains 13 Strategic Priorities and 25 projects. Prioritization is unclear. It would be recommendable for ICANN to prioritize in advance, as it is predictable that in the course of FY 2013 the need to prioritize will emerge, with a slow-down as a consequence. If not because of lagging ICANN resources, it will be because of overstretching the capacity of the volunteers, who's contributions are an integral part of the initiatives.

*EAG left out.* Over the last few years the Operating Plan and Budget contained a breakdown of ICANN's expenses per SO/AC (the Expense Area Grouping). The WG notes the FY 2013 draft Plan does no longer contain such an overview. The SOP would like to understand why this overview is not provided. The WG would also like to know if ICANN envisions to replace the EAG with a more adequate overview /indication, and if so, when this can be expected. The SOP WG is aware that the ccNSO Finance WG, and for that matter the ccTLD community as a whole, have in the past and at several occasions asked ICANN staff for more detailed information substantiating both the EAG and the call for an increased contribution by the ccTLD community to ICANN's expenses. Such information is considered essential to develop a reasonable and fair voluntary financial contribution model.

## **Operations**

### *Introduction and general notes*

*Lack of structure.* First of all, and as an over-arching comment, the entire "Core operations" section appears to be an unstructured list of activities. The WG could not identify a logical structure in the presented items in terms of priorities, planning nor anticipated workload. The organisational activities are presented as a collection of input provided by various parties, which is reinforced by the differences in language style in which they are presented.

*Confusing use of the term "Core Operations".* There is a wide range of activities and projects presented under the heading "Core Operations". According to "Framework for the FY13 Operating Plan and Budget" from January 2012 "The Core Operations Budget represents the recurring activities. This is a reflection of costs to operate ICANN and can be assimilated as a base budget or the starting point." The WG is therefore confused: many projects, covering new initiatives, are included in this section of the FY2013 Plan. We understand that ICANN intended to cover this by referring to "functional core operational areas", but we believe that it is of paramount importance both for ICANN itself and the community to clearly identify and understand the scope of ICANN's "core operations" (such as IANA, DNS Operations etc) and what is considered new project work.

*Lack of clarity about projects and their relationships.* It is unclear to us how some of the new projects relate to 'business as usual'. For example, what is the relationship between WHOIS compliance work and "Contractual Compliance"? Will the improving WHOIS accuracy project result in processes to handle complaints etc? In our view this reflects the lack of clarity around the output of the projects. It is also not really clear from the Ops Plan and Budget why some of the projects have been identified, what their priority is and whether they are a necessary part of achieving a wider objective.

*Lack of (clarity about) prioritization.* Some of the projects are carried over from the previous year without any indication as to why and what their priority is now. The SOP WG suggests that it would be worth to indicate if projects are reviewed annually and if not completed to ensure they are still relevant. Furthermore, it would probably be useful to clearly identify multi-year projects and put a progress track system in place, not only for the benefit of ICANN itself as an organization, but also for the benefit of the community for whom the project is undertaken and plan its activities.

*Organisational effectiveness and improvements.* ICANN urgently needs to be professionalized in a number of areas in order to obtain operational excellence and world-class corporate governance. This is crucial for success, and thereby conditional for ICANN to maintain its role and position. Combined with the rate at which ICANN is growing, we consider a strong positive development in this area of utmost importance. According to the Plan, "Internal Communication" is considered one of most critical areas to improve effectiveness. We understand from the FY2013 Ops Plan and Budget that ICANN plans to this with extra staff and tools. We firmly believe that ICANN should start with a careful evaluation of the current resources (including the various office premises around the world) resulting in a clear strategy and actions to optimise them before adding additional employees or communication tools to improve communication.

#### *Detailed input/comments*

- *Internationalised domain names.* Resources for this activity are expected to grow, almost double for the FY13. Looking at the kind of activities, the increase of costs looks quite unjustified. We believe that the entire IDN programme must be reviewed and streamlined to respond to the concerns of the community.
- *IANA and Technology Operations Improvements.* The SOP WG wants to highlight that the entire IANA function improved considerably over the past decade and that further steps like the introduction of a "Customer service Complaint Resolution Process" could further enhance its quality.
- *Security, Stability and Resilience Operations (SSR).* The action list under this activity is confusing. It is a mix of real actionable points (some of them are considered very valuable like "Conduct DNS Risk Management Framework assessment") and

administrative rules to allocate time (e.g. “Support to Global Partnership and Regional Vice Presidents in representing ICANN”).

It is the further the understanding of the WG that the SSR department has published its own activity plan for FY 2013. One would expect that the main lines of this plan would be incorporated in ICANN’s Ops Plan and Budget. The WG would appreciate a clarification on the relation between the two, in particular:

1. If a change of the FY 13 Security, Stability & Resiliency Framework will have budgetary consequences after approval of the FY 2013 budget and
  2. The difference in monetary terms between the draft FY 2013 Ops Plan and Budget for Security, Stability and Resiliency Operations (\$ 9.2 million) and the proposed Framework ( \$ 3.6 million).
- *Contractual compliance.* Although Contractual compliance does not directly relate to the ccTLD community, the SOP WG notes the exceptionally large projected increase in headcount in relation to the listed activities (again with no priorities and time frames). We would like to reiterate our invitation to ICANN to measure efficiency of its operations and teams.
  - *Core meeting logistics.* The SOP WG is surprised by the planned increase in FTEs. The text states that this is due to the “increase in size and complexity of the meetings”, but we fail to see this increase. Moreover, we would like to ask ICANN to further evaluate the need of translation and interpretation services on a large scale against the effective number of users. We also read “support an average of five additional meetings requested by the Board, staff and communities”. We believe that the need of any additional meeting should be investigated and eventually, video conferences or other means used to contain the costs.
  - *Community support.* “This infrastructure is designed to maximise the ability of community groups to participate substantively in policy development, to be active in community discussions and to manage general organisational governance”. This is an extremely worthy activity. We compliment the fact that some measurable goals and time frames are included in the action list associated to this activity. However, we recommend an in-depth evaluation of the added value gained throughout this activity.
  - *Global Engagement and Increasing International Participation.* The almost three pages action list is incoherent and lacks prioritization and coordination and supervision against precise goals and targets. We continue to miss a consistent and long-term plan to engage with other international organisations that are or are becoming very active in specific areas of Internet governance.
  - *DNS operations.* We are surprised that one of the core activities of ICANN in the Internet eco-system is “lost” in the long “Core Operations” shopping list. And again,

we regret to see a mix of management of current activities and objectives corresponding to new activities.

We trust that our input and comments will help ICANN to finalize its FY 2013 operational plan and budget, and will help meet the standards of efficiency and effectiveness pursued by the organization and needed by the community.

We would welcome a response on our submission, in particular to understand which comments are reflected in the version of the FY 2013 Operational Plan and Budget that will be presented to the ICANN Board and, as important, which were not.

On behalf of the ccNSO SOP Working Group

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Chair