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MARRAKECH – GNSO - New gTLD Subsequent Procedures PDP WG (3 of 4)

Monday, June 24, 2019 – 13:30 to 15:00 WET

ICANN65 | Marrakech, Morocco

JEFF NEUMAN: This is Jeff Neuman. We'll get started one minute or so. We're just making sure we're ready here.

All right, everyone. If you could take your seats, we're ready to get started. Okay – oh, I'm hearing ... hopefully that's not mine. Hold on. I'm hearing an echo.

My name is Jeff Neuman and this is the third session of the Subsequent Procedures PDP Working Group but is the first of two sessions that will be addressing all of the issues, other than geographic names at the top level. There were a couple sessions this morning that dealt specifically with that subject. There is a link in the agenda to the Zoom room. That we'll be using for chat and for the people raising their hands and developing queues.

The way this first session is going to work – if we can go to the slide ... next one. We'll just do a quick introduction. That includes a timeline for this particular working group to the completion of our work, which will include the current status. Then we will turn the meeting over to Cyrus and Trang and the ICANN organization to talk about a document that they released this week. We'll give

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a little bit of intro on that as well and then take some questions and answers for this session.

Then there'll be a break until tomorrow in the morning. The first session – I think it's 8:30 or 9:00? I think it's 8:30 – is where we'll have the fourth session of this group, where we'll talk about several different issues, some of which have a link to the material that we're talking about today.

With that said, let's go to the next slide, if we could. Or two slides. A lot of you are members of the group or have been to many meetings, but for those who are new to this, this group, this policy development process, stems out of the 2012 round for new gTLDs. We are tasked with essentially reviewing the 2012 new gTLD round and discussing what went right, what went wrong, and improvements that we can make to the round.

When the PDP was formed, we had, and still do, over 40 separate topics that we have been addressing from our charter. We had an initial report. We had comments on the initial report. We had two supplemental initial report and comments on those. We're now in the stage – if we want to go to the next slide – of trying to wrap up our work, hopefully by the end of this year. I'm skipping some of the details we went through, but essentially we're trying to get to a point where we take consensus on a final report by the end of

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this year, which will also include – knock on wood, I guess – the recommendations from Work Track 5 as well.

If you go to the next slide, just a little bit for the timeline – it’s hard to see up there, but if you clicked on the link in the agenda, you’ll see it. It just shows you a graphical representation of the reports that we already had up until the final.

Now, this final assumes that we do not have a public comment period. I think we’re all resolved now that there likely will be a public comment period, though we haven’t decided one way or the other officially. That will likely extend us to the end of this year – so the end of the fourth quarter as opposed to the end of the third quarter. But until we make an affirmative decision that we’re going to have that public comment period, this is the current chart that we’re working towards.

Once we produce a final report and send those recommendations, we’ll send those recommendation to the GNSO Council. The GNSO Council will go through its process. We’ll have to approve that report and the recommendations and send it to the Board, where the Board has its own processes for receiving policy from the GNSO, which includes at least another public comment period, along with soliciting feedback from the other advisory committees and supporting organizations.

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With all of that as a background – if we can go to the next slide – I want to just take us back a few years. Prior to the 2012 round, the policy was actually approved by the Board in 2008, so there were four years essentially – well, three-and-a-half – between the approval of the final report and the opening of the application window.

But even prior to the finalization of the policy in 2008, there has been a lot of work that had been done by ICANN staff in planning for the new round to begin. In fact, if you went back to the fiscal year budget in 2006 and 2007, that is when they started budgeting for that first round. The assumption at the time was that it would start around 2009. Now, we all know it took an additional three years, but the bottom line is that, even back then, ICANN knew that it had to start planning a year or two prior to the finalization of the policy in order that it could be up and running within a reasonable time period after the policy was developed and implemented.

Using that approach – and what Cyrus and Trang and Ashwin and others from the ICANN organization are going to talk about is a document that they prepared really kicking off that planning process.

I'll see if there's any questions up until now and then turn it over to Cyrus.

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I see Jim. Just Jim. Just Jim?

JIM PRENDERGAST: Yeah. I think we're supposed to use the Zoom room even if you're sitting in the room-room.

JEFF NEUMAN: Yeah.

JIM PRENDERGAST: Just timing-wise, do we lose ICANN staff at any point, or are you here through the duration of this section? That's a yes—

JEFF NEUMAN: Yeah. They're here for the duration of this.

JIM PRENDERGAST: Okay. I want to go back to—

UNIDENTIFIED MALE: I guess it depends on which point you'd rather have.

JIM PRENDERGAST: Well, I have a question back on the timeline, but if you guys have to get out of here, I understand that, and I—

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UNIDENTIFIED MALE: No. [We're here].

JIM PRENDERGAST: Can we just go back on the timeline? Because we went through that a little quick and I don't think you asked for questions on it. This is a little different from the one you showed on the GNSO policy update webinar, which showed an end-of-the year for 2019. Now you're throwing Steve under the bus? Okay. So there's a month difference, and I'm wondering if that's due to the addition of the extra calls that we're going to have every week. But that's a minor issue.

I guess the bigger question I have and one of the things that I'm – it falls on a little bit from what Greg said in the Work Track 5 session this morning. I don't see how we're going to get to that green diamond in two-and-half months with all of the outstanding issues that we have to go: auctions, closed generics – big, major issues that we've touched on and we've gone through comments on. I don't sense that we've got anywhere close to closure on that. I'm not sure how that process is going to work.

So can we crack open your skull – or is Cheryl online? – and just get some insight on what you're thinking is on how we actually get to that point, aside from four-and-a-half hours of calls a week?

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JEFF NEUMAN: Yes. I'm going to ask that we address that without ICANN staff here because we do want to get through all of this – if we have time at the end, we can come back to it – because they're not involved with that. I want to move on—

JIM PRENDERGAST: Okay. Or is tomorrow—

JEFF NEUMAN: Yeah. Or tomorrow.

JIM PRENDERGAST: Okay. That's fine. I think it's discussion we need to have because I think there's, in my mind – and I'm sure I may be speaking for others – there's just a lot of lack of clarity on that one.

JEFF NEUMAN: Thanks, Jim. I'll turn it over to Steve as to why there's a different slide. I should have ... no. I don't remember why we put it in a different slide.

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STEVE CHAN: There's recycling of the slides being done, and I think this one just ended up sticking where it shouldn't have. So it just needed to be updated and it wasn't. So it was a mistake.

JEFF NEUMAN: We'll update it. It was not—

JIM PRENDERGAST: So was it end of Q3 or end of the year?

JEFF NEUMAN: End of the year with the public comment period.

JIM PRENDERGAST: Okay. But that's just showing Q – okay. Thanks.

UNIDENTIFIED FEMALE: Wrong slide?

JEFF NEUMAN: Yeah. Wrong slide. Sorry about that. I'll throw myself under the bus for that.

Cyrus, please?

CYRUS NAMAZI:

Thank you. Maybe you can park the bus outside of the room for us for the time being. Thank you, Jeff and Cheryl and the members of the working group for this opportunity for us to come here and have this discussion with you. I wanted to give you a bit of a background and a history of why we're here, what our objective is, and what we hope to get out of this discussion.

To go back a little bit in the recent history of our activities and involvement in planning and implementing the subsequent round of new gTLDs, since the beginning of this calendar year, we've been briefing the ICANN Board on this particular project, a substantial part of which if, of course, the PDP itself. There's some relevant reviews that factor into play. Then there's a whole thinking around the implementation. This is a fairly complex project, as I'm sure most of you know, having been involved in the previous round. Just because of all the factors involved, all the moving parts, all the dependencies of it, we wanted to get a head start on beginning to think and start pulling in the right pieces in place. And of course, we also wanted the ICANN Board to be informed of and comfortable with the process that we're pursuing.

Based on those discussions we've had with the ICANN Board, we ended up formulating a set of basic assumptions. These are assumption because we have imperfect information at the moment. The policy work is not done. There's other moving parts.

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Until all of these are done and most likely even all of these pieces come together, there's going to be some unknowns. Some of these we'll talk about as we go through the paper that we have provided to you.

To date, we've actually managed to align with the ICANN Board on the basic set of assumption that we need to use on the org side to begin the planning process. The next step in this undertaking is for us now to take these assumptions and share them with the community. Of course, one of the most important parts of the community is you, the PDP working group, who is working toward the policy development. Hopefully, if that timeline holds, once we have the right timeline in there, then [we'll be] able to actually solicit your feedback to see whether our assumptions are correct, which ones of them need to be adjusted, what needs to be added to it, and all of that.

Now, keep in mind that, from our perspective, for an organization the size of the ICANN organization, this is a fairly complex undertaking for us. It will touch on all parts of the ICANN organization and then some, including some outside vendors and professional services and such, based on the experiences that we have gained in the past.

This is why I have actually the core team within the organization that is involved in this initial planning here in this room. I have Ash

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Rangan, who is the head of our engineering and IT. Ash, if you could raise your hand, please. Thank you. Xavier Calvez is here. He's our CFO. Karen Lentz is sitting back there. She's our policy guru. Trang and [K]ristine are our project management gurus. Trang, who will actually walk us through the discussion paper, is the point for this project.

Just to make sure that we stay focused and on topic, the debate here, the discussion here, is not about the merits of whether there should be another round or when it should be opened – none of that. We hope to really keep the discussion focused on these assumptions that we're going to present to you and we've provided to you in the briefing paper, just to solicit that feedback and fine-tune what it is that we need to be basing our planning on.

Without any further ado, let me hand it over to Trang to walk us through the thinking and the eight pillars of work that these assumptions pertain to, and then hopefully we can have a good discussion from thereon. Thank you.

TRANG NGUYEN:

Thank you, Cyrus. Hello, everyone. A couple more points to add on top of what Cyrus just said. I want to make sure that it's clear that these assumptions that we have documented here are operational planning assumptions. These are not policies.

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There's a PDP working group, which is you, that is considering the policy aspects of this program. So, to be very clear, these are just operational planning assumptions that we've created here.

Some of these assumptions do draw on current discussions that are going on here within this PDP, and that is why Cyrus said these are not final assumptions: because your work is not yet done. So, based on the outcome of this PDP, it is possibly that some of these assumptions may need to be adjusted.

Again, just to highlight another point that Cyrus made, the main reason why we have documented these assumptions and why we've shared these with the Board and also now with you and other relevant parts of the community is to ensure that our assumptions that we're going to be using for planning and for implementation are aligned with the community and with the Board. We think that's an important thing to do.

JEFF NEUMAN:

Thanks. I know there's going to be lots of questions. I'm just going to ask if Trang can go through all of this, and then we'll take questions when they're done with that, just to make it easier and make sure we get to all the assumptions. Thanks.

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TRANG NGUYEN:

Thanks, Jeff. No problem. Next slide, please. I'm going to go through these in buckets, and I will be summarizing the assumptions that are under each bucket. I'm not going to read each assumption themselves because you can read them. But I'll try to summarize them as we go through these.

The first set of assumptions has to do with timing of the next round. In particular, our assumptions are that all policy implementation, readiness activities, and operational processes will be completed prior to the opening of the next application window and that, essentially, the completion of this PDP is a dependency for the opening of the next application window, primarily meaning that we do not anticipate opening any other application windows until this PDP is completed.

Next slide, please. This second set of assumptions has to do with application volume and processing as it relates to volume. The assumptions are mainly that the application volume in the next round will be roughly the same as in the 2012 round, which is 2,000. We have to make an assumption. It has to start from somewhere, and that's an easy place to start: what it was in the last round.

Another assumption is that that volume is anticipated to decrease in future rounds and that there will be not changes to the current 1,000-per-year delegation rate.

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On processing time, the assumptions are that there will be one application window per year and that window will last one to three months and that prioritization will continue to be used to sequence application for processing.

Next slide, please. The third set of assumptions have to do with policy implementation, specifically that there will be changes that will be coming out of this PDP, either policy changes or implementation guidance changes. We also recognize that there may be new policy or implementation guidance that will need to be implemented. So, essentially, these assumptions are all about the fact that we're not simply expecting that we're just going to do the 2012 round again, that there will be changes and new thing.

Because there will be changes to new policy and potentially implementation guidance as well, there is going to be an implementation. Therefore, policy implementation materials will need to be developed, and those materials would be developed in consultation with the community. That policy implementation process will result in comprehensive and detailed information that are anticipated to go beyond the level of detail that was in the 2012 Applicant Guidebook. All of these material will be completed prior to the opening of the next application window.

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Next slide, please. The fourth set of assumptions has to do with readiness activities, specifically that an operational infrastructure – which means systems, people, and processes – will be built to support long-term introductions of new gTLDs – so we’re not building this to support just one additional round; we’re building this for the long term – and that this operational infrastructure will be completed prior to the opening of the next application window.

Next slide, please. The fifth set has to do with systems and tools. There’s going to be two slides on this. This first slide covers assumptions that have to do with the fact that technology investments are planned to be limited to only those capabilities needed to ensure the security, stability, and consistency of application submission, processing, and communications. Systems and tools will be designed based on a clear understanding of program processes and requirements. In other words, the system won’t be built in a vacuum. Testing will be completed prior to the opening of the application window and launch. Systems and tools development will be completed before we open the next application window.

Next slide, please. This is a continuation on systems and tools. Development of systems and tools will be focused on solving for data-intensive activities and critical program functions. Existing materials, systems, and tools will be leveraged as much as

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possible. All new systems and tools will be developed on one of three principle ICANN org platforms, which are Oracle, Alfresco, or Salesforce. Developing internal expertise and knowledge will be a priority, and as little as possible will be outsourced.

Next slide, please. The sixth set of assumptions has to do with operational processes, meaning that well- defined operational processes are critical to smooth program operations and satisfactory applicant experiences, and that the design and documentation of these processes, as well as the training of staff on these processes, will be completed prior to the opening of the next application window.

Next slide, please. This next set of assumptions has to do with people. Proactive resource planning will be completed in order to adequately staff the program team to meet deadlines. Work staff will be used to perform program management, operations, and administration. ICANN org will outsource critical application functions such as application evaluation and objection processing to outside third parties. Org currently lacks sufficient staff to implement new policy and [isn't] prepared to operate the next round. So our current staff isn't adequate for us to take on the additional work to do this. Additional staff will be hired based on need, skills, and experience. We will augment staff with temporary resources as needed to address peak workload for

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activities with are not expected to be sustained for at least 24 months.

Next slide, please. This last set of assumptions has to do with costs, that the program will continue to operate on a cost-recovery basis, funded from application fees collected, and that comprehensive cost planning for program readiness and operations is critical for accurate reporting and management and costs, and that the development costs to ready the organization to accept additional applications will be tracked.

So I went through those fairly quickly, but I wanted to make sure that we leave plenty of time for questions and discussions. We can go back to any particular assumptions that you would like more information on in terms of the thinking that went behind the documentation of that particular assumption.

I'm going to turn it over to you, Jeff, to run the Q&A.

JEFF NEUMAN:

Sure. Thank you. So there was a lot of material there. Maybe one of the questions I can ask as people are starting to think about it is – you're out here asking for comments – what do you envision are the next steps after getting feedback in?

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CYRUS NAMAZI:

That’s a good question, Jeff. Our objective – we’re actually having this presentation to all of the ICANN constituencies, three of them here, actually, face-to-face. The next one we do with the GAC. We have one with ALAC, I think, on Thursday. The rest of them we hope to conduct through a webinar – assuming there’s interest, actually, on their part – and complete that by the end of August. We’ll take back all the input that is provided through these discussions and fine-tune our assumptions. We’ll share that with you again. Then we hope to share that again with the ICANN Board during the September workshop. By then, hopefully you, the PDP working group, will also have better visibility into what your timeline is going to be in terms of its completion and submission to the GNSO Council and process[es] like that.

The next step for us is essentially to get the go-ahead and the mandate from the ICANN Board to receive some level of funding to put together a program team that actually begins the process of designing for implementation.

JEFF NEUMAN:

We’ve already got a queue starting to build. I see Jim and then Martin.

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JIM PRENDERGAST:

We'll just leave the microphone on for the next seven minutes. Thanks, Trang and Cyrus. Jeff, you actually asked a very similar question to what I was going to ask: when you say you want to get alignment with the community, how are you going to do that and what are the processes? I would suggest that you start with just posting that document in a very easy spot to find on the ICANN website. I had to dig for it. If you're going to do a comment period, get it up there. I like the idea of a webinar. I think that'll be useful for folks as well.

When you said you had alignment with the Board at this point, what – I know we have at least three Board members that I can see in the room, if not more – does that mean when you have alignment? Is the Board comfortable with every assumption in here? Has the Board approved it? Is it the full Board? Is it the special interest group within the Board that's focused on gTLDs? Can you give us a little sense of what that looks like?

CYRUS NAMAZI:

Sure, Jim. Thank you for your question. If our Board members would like to chime in, of course please go ahead and feel free to do that. To answer your first question, I think we actually e-mailed the briefing paper to you, so you should have received it. I presume you're a part of the PDP working group. We're not opening a formal public comment solicitation process. This is just

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to reach out to different ICANN constituencies to have a dialogue. So that's the purpose of it.

The answer to your second question of the alignment that I mean is that we've actually put these assumptions together. We've taken them to the Board. We've solicited their input and their feedback. We've fine-tuned it and all of us have agreed that this is a good starting point for us to bring this to you and the rest of the community to see how far off we are from the target assumptions.

JEFF NEUMAN:

I have in the queue officially – hold on. I'm going back and forth between different documents here. Sorry. Martin was next. Then I have Kathy. I know I saw Kavouss. So we'll do Martin, Kathy, Kavouss, Christopher, Anne, and then Alan. Sorry.

MARTIN SUTTON:

I'm just thinking about the timeline elements there and where there's dependency on Board adoption of the policy work. This PDP is pretty expansive in terms of what it covers. I'm recognizing that a lot of it is policy recommendations that we expect coming out of this, but there'll also be process improvements and guidance as well, captured within what I expect will be a final report.

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So I just want to make sure that, given recent PDPs where they've gone to the Board – the majority have been accepted but some elements go back to the community for more work – will there be a checkpoint then to make sure that, if it's more of the guidance or less priority aspects but not policy that's pushed back to rework again, that doesn't end up as a stop point?

CYRUS NAMAZI:

Thank you, Martin. That is a really excellent point. In a way, this is part of the reason that more than a year before the PDP work was expected to be completed, we started engaging with the Board to brief them of what's in the pipeline in terms of new policy development, things that would pertain to the Board's consideration of approving this program to go forward. So we're keeping that channel of communication open with the Board. Anything that we see as something that may be needing more attention paid to all of that we bring [to attention].

Conversely, we're actually engaged in this PDP working group as well. We track it very closely. We're in active dialogue with Jeff and Cheryl through sessions like this, to be able to get alignment on.

One thing that, frankly, would be very helpful for us on the org side, who will ultimately be responsible for and mandated with the implementation of the recommendations that will come out

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of this working group: the fewer balls and chains that, frankly, you put around us, the easier it will be for us to implement the program. Hopefully, we can find the right balance between the types of things that you think are necessary in terms of transparency and visibility into the different parts of the program as opposed to things that will start gaining what I call diminishing returns in terms of more work that needs to be done to gain a little bit of whatever from it.

I hope that makes sense.

TRANG NGUYEN:

If I could to add to what Cyrus has said, it would be also helpful to understand from you, Jeff, and Cheryl, who I know is not here because she has a conflict, and the rest of the PDP working group how you envision or anticipate ICANN org and potentially even the Board being able to provide input into some of the recommendations that you're considering prior to them being considered final by the PDP working group. Certainly, I'm just responding to what you brought up, Martin, as a potential concern.

JEFF NEUMAN:

Thanks. I'm going to change a little bit of the order here. I know Alan's got to leave, so, if it's okay with a few people that are ahead

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of him, can I let Alan go and then ... All right. Alan, you go now. Then I want to respond to Trang as well.

ALAN GREENBERG:

Okay. Thank you very much. I appreciate that. Just a minor anecdote to start with, Jeff started with how long the process started last time. My first meeting about the new gTLD process was in January 2007. We received a briefing on the flow chart of how the process would go. That was a good year-and-a-half before the PDP was approved.

A fair amount of our discussions have to do with pricing within the PDP. We're talking about floor pricing. We don't want to go below because we don't this to become just a commodity. We're talking about applicant support. So what price range we're talking about in terms of costing becomes very relevant. When will we likely see some costing numbers from you to give us an idea of where we're going to stand on that?

CYRUS NAMAZI:

Another good question. Thank you, Alan. That brings us to the chicken and egg problem. Part of what we're trying to do is, frankly, get the mandates so I can put the right resources or people on it to come up with a meaningful, reasonably detailed

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plan so we can have an understanding of what the cost is going to be.

Now, keep in mind this is a problem that is intended to run as a cost-neutral program that is intended to be self-funding and all of that. I don't have an answer for you. This is another thing that you should keep in mind: not to be too prescriptive about it, if I may say, because, if, by any chance we don't get enough applications that are actually based on the level of application fee that you think is the right level that pays for the cost of the program, then we have an issue to deal with that may be a little difficult.

ALAN GREENBERG: Ultimately, you're going to have to set a price before the application round opens. We're going to have to have some idea of what that is in ballpark because some of the policy implications have to be set based on that.

JEFF NEUMAN: Thanks, Alan. So we have a pretty long queue—

UNIDENTIFIED FEMALE: [inaudible]

JEFF NEUMAN: Sorry?

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UNIDENTIFIED FEMALE:       Xavier.

JEFF NEUMAN:                Oh, Xavier. Yeah, please. Sorry.

XAVIER CALVEZ:             Just to respond to add a little bit to this, Alan is pointing out exactly the chicken and the egg exercise that Cyrus was illustrating because you're saying – I completely understand why – the pricing point of the application fee has implications on policy. The policies have an impact on what we need to do, and therefore on the cost recovery and therefore on the application fees. So I think that keeping the channels of communication open on that topic will be helpful so that we can try to manage that challenge together.

Another complexity that we will need to handle is the fact that – we've stated this in the assumptions – one, we want to be able to build a process that is sustainable through rounds, and two, we need to have a cost-recovery-based model. So the sustainable mechanism over several rounds needs to be covered by application fees of one round, and then the next round, and then the next round. That's not a very easy equation even for me to handle.

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So I'm just pointing out the complexities. We will need to handle them. We will find solutions to them. I'm not worried. I think that us understanding together the constraints that these assumptions create is important in taking the right amount of time and analysis to come up with a pricing mechanism.

Maybe we will have to look at the cost recovery aspect on a fairly long-term basis as opposed to a one-per-round basis. I don't know. We'll need to think through that. I just wanted to bit of context behind the topic because it's not an arithmetical one-plus-one-equals-two exercise. Thank you.

JEFF NEUMAN:

Thanks. I think we have next in the queue Kathy, then Kavouss, Christopher, [Edmon], Christa, Nick, and Jim. I put myself in the queue, and then I see there's at least a question from Phil online. Sorry. Kathy?

KATHY KLEIMAN:

Thanks, Jeff. Two questions. I'll just queue them both up, if that's okay. One is under continuing the cost discussion. The program will continue to operate on a cost recovery basis. It will be funded from application fees collected. Where does the money come from the set up that's going to take place before applications fees are even collected? So that's one question.

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The other one has to do with Section 2: expected volumes of applications. You probably know that we've been discussing, although there's no agreement on, any kind of application caps or limits. 2.2 says that it's expected that the next round will have roughly the same number of applications as 2012, so that's 2,000 applications. Let's say we have that or let's say we have more. How then do we go onto another application window the next year if we're only adding 1,000 applications a year into the root? So what happens if we have 2,000 applications? What happens if we have 5,000 applications? What happens if we have 15,000 applications? Thanks.

JEFF NEUMAN: So there's two questions—

[CYRUS NAMAZI]: [Ask] Xavier to take the first one.

JEFF NEUMAN: Xavier the first one and then Cyrus the second one. Thanks.

XAVIER CALVEZ: Thank you. On the funding of the preparation work before we receive the application fees, just so that everyone understands, Kathy is pointing out to the fact that we're going to collect the

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applications fees that fund this program after the beginning of the application window and before the end of the application window, at least if we go with the model that we applied last time. Preparing for this program for several months and potentially years ahead of that will [deek]: work, and therefore expenses, and where does the funding of those expenses come from? So that's Kathy's question.

Last time, the way we handled this was simply to use the operational excesses that the organization was generating on a more or less annual basis to basically fund the costs of the program. As you remember, a portion of the application fee was designed to recover, with the application fee, the costs spent in the past by the organization so that it gets repaid. At the time, the contracted parties, before the program, don't pay for the contracted parties coming into the program. I think that was part of the rationale. It was in there at the time. So we need to find a source of funding for the expenses that we're going to incur prior to collecting the application fees that will repay that.

Our current intent is – I'll qualify it afterwards – to look at the currently remaining funds of the current application fees of the current program as a source to borrow money against in order to fund the work that is ongoing to be repaid once the application fees of the next round will be collected. We're trying to look at the mechanism that allows to keep the buckets "separate" between

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each round, [in] the application fees of each round. We are looking at the amount of remaining application fees that we are currently looking at of the current round as the source to fund those expenses and to be repaying that once the applications of the next round would be collected.

There's a number of challenges and limitations with that approach. One is that we project the current rounds with a certain amount of costs needed to be incurred. That's how we evaluate the remaining funds that I'm talking about. But what we are not projecting because we can't is how much defense and legal costs we're going to incur for this current round out of those funds and therefore how much will be left available to fund the next round. These funds are primarily now to deal with the current program.

You all know that we are very close to the end of this current round in terms of number of applications that are being dealt with today. However – I'm not trying to be disrespectful to them – those are the “problem children” that we are dealing with now. They're very expensive to deal with. We have lawsuits. We have IRPs. We have a lot of activities pertaining to very few, limited numbers of applications.

We know we're going to consume an amount of money for defense costs out of those remaining funds, so the question is, are we going to have enough funds left out of that specific pot to help

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fund the next round? That's our plan and intent for now. We are also looking at a Plan B and potentially a Plan C. We have a reserve fund that's available. It's not meant to be used for that type of purposes, but if we can't do otherwise, is it something that want to consider? We have auction proceeds that are segregated and separated and for a different purpose. It is something that, at some point, we would have to consider as well? That's also another plan. I'm just laying out the land of what we're looking at. Our primary intent is to use the remaining funds of the current program with obviously evaluating whether there would be enough of those to be made available for the prep work that we're expecting. That's the current approach. Thank you.

JEFF NEUMAN:

Thanks. I'm going to turn it over it over to Cyrus in a second for the second question. I am taking note of the queue, so if you can, please make sure you raise your hand in the room. It'll make it much easier. I think it's Cyrus on the number.

CYRUS NAMAZI:

Thank you, Kathy. That's a very good question. In fact, part of the reason we're here having this conversation with you and the rest of the community is to provide a sanity check on if anyone knows what we should be expecting and why.

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The reason we selected the number to be right around 2,000, which is the number of applications that we received in the 2012 round, is twofold. A) We don't have a better number. So there's really not that much science behind it. But more importantly, in terms of actually planning for systems and people and structure and a whole factory that we need to put together to start receiving applications, processing them, ultimately signing contracts, delegating them into the root and then supporting them, there's a step function of some sort, actually, in terms of scaling: beyond 2,000 incurs much more cost. So if you go to 3,000 and beyond, then your systems actually need to become more complex in terms of the types of systems that Trang was talking about. Ash may even be able to articulate that better. So there is a bit of thinking/logic behind that.

Now, the second thing to keep in mind is one of the things that Trang mentioned, that these are assumptions and they're bound to change. This would be an example of, if all of sudden we receive 15,000 applications, then we'll need to go back and revisit the assumptions and the systems we're putting in together to make sure that we're able to cope with them in a reasonable time and all of that.

So hopefully that helps. Ash, if you'd like to add ...

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ASHWIN RANGAN: Thank you. Kathy, I want to just draw a broad picture so you get an appreciate for how we're thinking about it. If we receive ten applications, we probably won't build a very complex system. If we receive 15,000 applications, we really have to think it through and figure out how to make it something that is repeatable and very, very dependable. So it's those extremes that are causing us to pause without saying, "Here's the definite way we will approach this."

KATHY KLEIMAN: A quick follow-up. But you don't know that, and you're designing the system now.

[CYRUS NAMAZI]: [We have no idea].

UNIDENTIFIED MALE: [Which is why we're making assumptions].

JEFF NEUMAN: Right. Thanks. Tomorrow we'll be talking about – one of the topics is the delegation rate. I know there's an assumption in there of 1,000 per year. I think already the working group has gone beyond that in terms of its thinking and the feedback we got from

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the technical community. So that's a subject for tomorrow. If you have questions on that, let's save that for tomorrow.

Kavouss?

KAVOUSS ARASTEH:

Thank you very much. I have listened to the debate very carefully. First of all, Xavier, you are a chief accountant. Like other chiefs accountants, you are [unreplaceable]. That means you propose something, you want to cut and paste here and there, and nobody understands what you are doing. But you [say that]. I have been working with content for many years and so on and so forth. You cannot use reserve accounts for this. You cannot use existing accounts or money for that. It's not possible. Otherwise, you need the full agreement of the community. So you can't do that. Number one.

Number two. Cost recovery is not what you said. There is no cost recovery methodology in ICANN at all. You have only cost and that is identical for everyone application. It is not based on the complexity of the things and so on and so forth. So this is not true. There is no cost recovery methodology in ICANN and no cost recovery fee based on the complications or [complexities of that]. So you are making a cut-and-paste. That is why I told you you are [unreplacable] like other accountants.

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Now, coming to Cyrus, you have a double approach. Approach one: the PDP of the working group going to Council, and after Council approves, going to ICANN, the Board, and then it becomes policy. Now you want to have a shortcut. Your shortcut is taking some input from what you are doing as an assumption, putting it in community debate if you want – I don't know what you will put to the community. Have something. Put it to the Board and approve. This time, process and policy comes from the Board to the community, but not from the community to the Board.

So you have to find the link between the two. Are you doing some shortcut to reduce the amount of years that you have mentioned – four years to six months – or not? There is some difficulty with the approach you're proposing. You have to have linked together these two approaches, these parallel approaches. I don't know what your assumption is based on. Your assumption goes to the community on what [inaudible] goes to community? It goes differently from what we are doing. Once Jeff finishes his work, presumably it goes to public comment. The result of that, once included, goes to the GNSO, and after that ... But you want to shortcut that a different way. So there is some inconsistencies and difficulties between the two approaches. It is not well-documented. We are not clear about that. It is difficult at this stage to say yes or no. You have so many questions to [run

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through] here. None of them I would say are right. None of them is wrong because we have to study that. There's a lot of details. I don't know how it works. So we need to have time. We need to digest that. Thank you.

JEFF NEUMAN: Thanks, Kavouss. I'm going to handle that in two parts. I don't know if Xavier wants to comment on his "unreplacableness."

XAVIER CALVEZ: Two minutes. Of course, thankfully I'm not irreplaceable. The cost recovery that I think Kavouss is making that's true is that it's not only on a per-application basis that we have a cost recovery basis. There's so many fixed costs associated with a program like this. It's on a total-program basis that we're looking at the cost recovery. Even then, it's actually extremely difficult because we leverage for a program like this – we have in the past/would in the future – existing resources that are in place to do something else today.

So how do we ensure that cost recovery "reality" [inaudible] is very difficult. It's a principle that we need to apply. Its application and how to operationalize that cost recovery basis is extremely difficult depending on the magnitude and the size of the program. So we have retained a certain approach, which Kavouss was

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pointing out earlier in this current round, which is to segregate as much as possible the entire financial implications of the program, both from an application fee and from an expense side. We try to capture the cost of the program comprehensively and put them completely aside into one separate bucket. We have financial statements about it. They're audited separately, etc.

So we try to have an as-siloed-as-isolated approach to capture those costs in order to support our ability to measure that cost recovery principle, but it's not on application basis. We can't do a cost recovery basis on an application basis. We have not tried to and will not try to. Otherwise, I will need to be replaced.

JEFF NEUMAN:

Thanks. I'll turn it over to Cyrus for a minute, but I just want to say, to respond to Kavouss, there is already existing consensus policy that says that there will be ongoing introduction of new gTLDs. So we're still doing our work here to review and suggest improvements to the 2012 round, but there still is a mandate that exists from the community from 2008 that the community agreed upon by consensus: that there will be additional introductions of new gTLDs.

I think, again, to cite the history, even back in 2008, work had already been underway on the planning, on this type of planning on assumptions, since back in 2006 and 2007. I actually want to

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comment ICANN because, on the last time that they did this, none of us saw any assumptions or any planning pretty much until the first version of the guidebook came out. I think I actually want to say thanks to ICANN staff for actually letting us see and comment on the assumptions even before or during their planning process. So thanks.

CYRUS NAMAZI:

Thank you, Jeff. Kavouss, thank you for your statements and your question. Just very briefly, I think, if I understood your point correctly, you think that we're trying to bypass the multi-stakeholder model and the process by which bottom-up policy comes to the Board and then assign to the organization to implement. The intent is not that. These assumptions are not intended to replace the policy work that this work is actually conducting. It's really intended to complement from an operational perspective so that we can move as much as we can in sync with the policy development process because of the complexity of this program. This is a multi-year effort to implement before we can say we're open for business to receive applications. So the thinking is to be able to keep up and get us into a better readiness posture once the policy is done and all the other pieces are in place and we get to go ahead and to go implement. So that's the only goal.

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JEFF NEUMAN: Thanks, Cyrus. We have Christopher, hopefully, who's participating remotely. It worked the last time, so let's see. Christopher, can you—

CHRISTOPHER WILKINSON: Thank you.

JEFF NEUMAN: Good.

CHRISTOPHER WILKINSON: Thank you, Jeff. Thank you to our colleagues from ICANN for their original and detailed reports. It would have been lovely to have heard about that in such detail ten years ago. So I passed on that. Thank you.

Three comments. First of all, some of us likely think that the model that Trang originally put forward is too close to the 2012 model. Too many applications all at once and high risks of difficulties and high risks of errors in evaluation. We have been discussing ways of phasing the initial demand by specialized segments of the market. There are at least five or six segments that can be identified. If you for 1,000 applications in the first year, which is a random mix of geographical applications, community

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applications, brand applications, pure generics, and IDNs, I cannot imagine how you're going to organize the high quality evaluation of each of them, particularly as the evaluation criteria will differ depending on the segments of the market which are underway. So I have some skepticism about the numbers and the initial volumes that we have been discussing.

The second point is not unrelated. I get it: whatever arrangements are made, some of the evaluation processes will be outsourced. I think the applicants and the public need to know more about how ICANN will outsource evaluation, particularly as some of us would hope. If your outreach is good enough, we expect that the application pool will be a good deal more diverse than it was last time, and particularly that evaluation will have to be conducted in languages and scripts that ICANN is not normally very familiar with. So how are you going to organize the recruitment and management of outsourced evaluation on the scale that you have suggested?

Finally – I suppose it's a point to Xavier – does cost recovery include applications support, and, if so, what proportion of overall costs would be allocated to application support? Thank you.

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JEFF NEUMAN: Thanks. I think that the main question in there was the last one, which is on the applicant support. The other two were comments. Xavier, can you respond to the third, the question on support?

XAVIER CALVEZ: Thank you. Honestly, it's on the fly here with your question. In theory, the principle of cost recovery would mean that the cost of the program is fully covered by the funding for this program, which is the application fee. So we would need to do some kind of evaluation of the volume of applicant support and the amount of dollar associated with that applicant support and bake that into the cost of the program and then define the fees on top of it so that it's covered.

Last time, that's not the way it happened. The Board provided a subjective amount of support of two million dollars at the time for applicant support, saying we will use that amount of money to pay for a fraction of the application fee that those eligible applicants for support will receive. It was about two-thirds of the application fee. That was, from memory, about \$137,000 that the Board said, "Use two million dollars of ICANN's money to help those applicants that will be eligible." So it was not [specifically] baked into the cost of the program at that time.

I think that we'll need to think about it ahead of time for the next round to determine how we take into account applicant support

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as a cost of the program so that we embed it into the calculations of the cost recovery principle.

TRANG NGUYEN:

Thank you, Xavier. If I can add to that – this is Trang from ICANN org – I think the answer to that, Christopher, is also partially dependent upon the outcome of this PDP working group. I recall that, in the initial report that was published, there were some preliminary recommendations that talked to the fact that the PDP working group would like to recommend that additional sources of funding be explored to fund the applicant support program. So, if that is the case, obviously it would be a factor that would be considered in the modeling of the cost recovery of the program. As such, I think the outcome of the work that you're doing will also be a consideration in how it's all structured. Thanks.

JEFF NEUMAN:

Thanks. I know we have a half-hour left. Is that right? Okay. So we have a queue. I'm just going to do a last call for the queue. I have everybody up through Sarah, which includes Phil from his online question. Next we have Anne, Edmon, Christa, Nick, Jim, Phil, Sarah, and then me. I'll put myself last.

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ANNE AIKMAN-SCALESE: Thanks. Anne Aikman-Scalese with the IPC, but my questions are just my individual questions. There are three of them. I'll try to make the first two really short.

Does there exist a draft budget for this staffing up? Have you guys looked at it at all? A lot of times when you create assumptions, you also create how much money you're looking for. Is there a draft budget that exists?

No.

UNIDENTIFIED MALE: No.

ANNE AIKMAN-SCALESE: Okay, thanks. And this is a little bit of a follow-up on some questions raised earlier about Section 2. You had mentioned that these assumptions are based on the work of this PDP working group. When I got to 2.6, I was like, "Okay. There will be a one- to three-month window once per calendar year." I thought to myself, as someone who has worked for a while on this PDP, "I don't think I'm necessarily familiar with this idea." So, if this is based on assumptions coming from the work of this PDP, why am I seeing that? Because this is really at the core of what suggests that you staff up permanent staff. That is going to be the largest number. So this assumption is quite key to everything that you're

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doing here, and it's not an assumption that, as far as I know, comes out of this PDP.

JEFF NEUMAN:

Let me respond to that. I'll let you respond as to why you put it in the document. It was one of the options that was mentioned in the initial report. Anne's correct that we haven't made any decisions on it, but it was one of the proposals that was put out there for comment. We haven't gotten to that particular subject yet, but I don't know if you guys want to respond.

TRANG NGUYEN:

I think, Anne, along the lines of what Cyrus said earlier about why do we have these assumptions in the first place, we need the assumptions in order to plan. There are different sizes of operational infrastructures that could be built: systems and people and teams and all of that. We need to start from something in order to determine what to build. This is the starting point.

I believe that one of the preliminary recommendations in the initial report was that the PDP working group was not intending on changing the length of time of the application window, so a one- to three-months application window is in line with, I think, the current discussions within the PDP working group. It could

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change, depending on the outcome of your discussions, of course. Then the assumptions around it – once per calendar year – again impacts what size operations and system we’re going to be putting in place. So we have to start somewhere, and that is the current assumption that we’re making. And it’s an operational assumption.

ANNE AIKMAN-SCALESE: Okay, thanks. I think this is a great dialogue. Again, I’m one of the people that’s happy that you’re sharing these assumptions, but to the extent that we’re saying that these are based on the work of the PDP, there are things in here that – when you are working based off the initial report, you have to keep in mind that you’re working off a document that never had a consensus call, working off a document as to which all those questions will never discussed by the full working group. Blah, blah, blah, blah, blah, right? You know all those issues about what is. The current policy perspective of the working group is not baked, as it were.

The point I have that’s the last one is the fact that there’s a mention of the dependency. The dependency is the work of this PDP, the work of this group. Nothing will really be ready, but don’t worry. It won’t be until your PDP has finished its work. It’s a bit frustrating within our system that we don’t take into account that, although GNSO is the policy-making body, other entities

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within ICANN do give advice – like public policy advice from the GAC, like security and stability advice from the SSAC, blah, blah, blah; ALAC gives separate advice if it chooses to do so, even though there are representatives here.

We had in Barcelona developed a list of dependencies in relation to when to launch the next round, and it doesn't appear to me that that list in terms of work that was done face-to-face in Barcelona has been shared with you as staff.

JEFF NEUMAN:

I'm going to leave the internal working group stuff with us internally, but what I'll say is that it's my understanding, when they said it's dependent on the work of the PDP, in the way I interpreted it – you can let me know – is that you meant once the Board actually approves it, which means after everything, including the getting of input from the other SOs and ACs. That's the way I interpreted it. I think it was just shorthand. Does that—

ANNE AIKMAN-SCALESE:

Yeah. Thanks, Jeff. And a lot of times when the GAC and the GNSO disagree, guess what happens? The Board sends it back for further work. So I think we just need to be a bit realistic about how processes happen here and that there are differing opinions that will come out from different entities, SOs and ACs, and that, if we

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are budgeting accurately, we will take into account the time it takes for all of that to work itself out.

JEFF NEUMAN: Thanks, Anne. A quick response and then—

CYRUS NAMAZI: A very quick response. Two things, Anne. These are very good points that you raised. To your last point, I think it's important to keep in mind that we can't plan based on what we don't know. So, any time between now and when the application window is open, the GAC could come in with advice. ALAC could come in with something. The SSAC could come in with another thing. But that's a fact of life. We can't just sit back and not act because somebody might do something. So we're planning based on what we know.

At the end of the day, the ICANN organization actually moves and responds to what is accountable to the ICANN Board. So once the ICANN Board takes all of these unknowns and knowns and dependencies into consideration and decides that this is the right thing to do, that's what essentially gives us the trigger point and the mandate to move it forward.

To your earlier point about annual windows of one to three months, I know this is an ongoing discussion within the PDP. Of

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course, we respect that and whatever the outcome is. We will oblige. But I want to raise this to your attention, that my intent here is to actually build a system that is sustainable and is scalable. For the 2012 round, we actually put a process together, put a system in place, that was a one-off. Then we had to shut it down when the application window closed. I think, frankly, a lot of that investment has really gone away now and we have to rebuild and redesign.

I want us to have the foresight, the thinking, the planning, that actually builds something from which we can actually have multiple rounds if they, I guess, decide it to be the case, which, from my personal perspective, should be the case. There shouldn't be really a question. With registrars, they can come in today and actually do this. From my perspective, we should have a system that could also accommodate that for anyone who wants to be a registry, obviously based on the qualification.

ANNE AIKMAN-SCALESE: Thanks. Just a quick follow-up. I don't think you should pull the trigger until you plan for these contingencies, and the contingencies should be part of your document. Thank you.

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**JEFF NEUMAN:** Thanks, Anne. I don't mean to rush people, but we still have in the queue Edmon, Christa, Nick, Jim, the comment from Phil, Sarah, Kathy, and Kavouss. I got to cut it off there because I don't even know if we'll get – I'm hoping to get through all of them, so let's try to make it pretty quick. I'll go to Edmon. Please.

**EDMON CHUNG:** I'll try to be quick. Two questions: one on cost and one on the implementation process. With cost, building on what was said before, it's interesting that Christopher brought up the applicant support funds. I think that's interesting, and also the remaining funds of the current program. Is that part of the assumption, that we'll draw upon those funds for preparation of this round and also implementation?

Especially on Trang's response on these assumptions, of course there needs to be assumptions. The main question I want to ask is, we went into the last round with the concept of cost recovery: has there been a report or a study by ICANN on whether last time the last estimation was good? Did you overestimate or underestimate? I guess you overestimated a bit. You have some left, right? Would you adjust that if you overestimated like last time? How are you learning? And has that report been done, a study been done? If so, would ICANN share it with the community? If not, then will it be done, and would ICANN share

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the findings with the community and those assumptions clearly?

That's Question #1.

Question #2 is shorter—

UNIDENTIFIED MALE: [inaudible]

JEFF NEUMAN: Hold on.

EDMON CHUNG: Okay.

JEFF NEUMAN: That was really long. We're trying to figure out how we can do a quick response and a more detailed response later. So hold off on Question 2. Do we want to ...

CYRUS NAMAZI: I can very quickly respond to these questions. On your first one, in terms of the source of funding for this program, I think at the end of the day there are different options available. Again, this is at the discretion of the ICANN Board. [We] somewhat assumed that it could be the remaining applications fees, which would then be replenished once the new application fees come in. It

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could be from the reserve funds that ICANN has at its disposal. So it's a discussion that is taking place or will take place at the Board level to be decided. If you have any input to it, I suppose you can do that.

In terms of the application fee that was decided on the first [one], I think it's debatable whether it was overestimated or underestimated. I think Xavier mentioned that, even though we have a small number of applications left and some of them are already contracted and delegated, one or two, frankly, litigations could wipe that out completely. So I'm not sure if it's the right time to actually draw that conclusion to say you've overestimated or underestimated to that extent.

EDMON CHUNG:

But the core question is, will you actually study that and create a report that you can share with the community?

CYRUS NAMAZI:

I think we should. We will do that. I just didn't want, I guess, folks to take away the conclusion that it was already overestimated. But, yes, we'll do that, for sure.

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EDMON CHUNG: The second question is much shorter. The implementation. You said it's a pretty complex undertaking. The concept of IRT, the Implementation Review Teams – do you envision multiple IRTs then or just one IRT? Because it seems like multiple IRTs would work better.

[JEFF NEUMAN]: That's for us, isn't it. Or is that ...

TRANG NGUYEN: Thanks, Edmon. Yes. The short answer to your question is yes. We've contemplated how the implementation process would be carried out. Obviously there are probably multiple different ways that we can could do it. There could be potentially multiple IRTs or one IRT with sub-teams that do different streams of work, for example. I think the important thing here is that the concept is maintained, which is that the implementation is done by ICANN org, and the communities are there to confirm that the implementation is in line with the policy recommendations to provide specific expertise when needed in order for the implementation to be completed. So I think the important key thing here that we need to maintain is the concept. Then the actual execution of it in terms of multiple IRTs or one IRT I think is probably to a lesser extent a consideration in how the implementation process will ultimately be carried out.

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JEFF NEUMAN: Sorry to rush, but 17 minutes and a bunch of people. Christa, then Nick, Jim, and then Phil's comment.

CHRISTA TAYLOR: In the working group, we've always chatted about providing predictability. We've heard application volumes of, I think, 10,000/25,000. We've heard some of these really massive amounts of numbers. None of them have ever been around the 2,000 mark. We're talking about creating the different scenarios here. I think you said you mentioned this is a starting point. Are you expecting to do another cycle on other volumes or are you going to do a low/mid/high on that? I'm just a little bit concerned because, as we know, the costs will step up but then they're going to hit an exponential volume. First question. Do you want me to keep going or do you want me to stop there?

[CYRUS NAMAZI]: [Kristine], would you like to take that one?

[KRISTINE MILLETT]: We've heard that, too. Trang and I are regularly on your calls. We've heard these high volumes. We would love whatever background and rationale you have for these numbers – 10,000,

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25,000. If you could provide those to us, we would love that to inform our planning. We're just not hearing a basis and a rationale behind it, so it's hard to explain to the Board and to the organization what would be the basis for such a high number. Because, if it is exponentially larger than this 2,000 number, it would require different operational needs and systems and demands. So anything you could share would be most welcome.

CHRISTA TAYLOR:

Quickly, I think, being in the working group, we've also asked that exact same question and we've gone around in circles. Being that this seems to be such a big, critical point at this point, perhaps it's one of those things that we should be gathering some data [on] some methodology because it sounds like it's going to have significant impacts. Just throwing it out there, whether it's a survey or some methodology. I'm not sure who's – if that's in the working group or not, but I'm tossing it out there.

I might be too late for my third question. Is the two million still there for applicant support in the next round or is that gone? Because we didn't really use it all. Maybe it's too late for me to ask that question. Don't know.

Got it. Thanks. Bye.

CYRUS NAMAZI:

No, there isn't.

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JEFF NEUMAN: No, I think the answer is it's gone.

CYRUS NAMAZI: It's gone.

CHRISTA TAYLOR: Okay.

JEFF NEUMAN: Thanks. This is being recorded, so anything we haven't answered we're going to try to follow up on. Nick? Sorry. I know that you've been waiting a while.

NICK: Thanks. Well, I put it in the chat, but thank you very much for coming along and presenting the plan. I think good planning is good for everybody in the community. It's good for future applicants in terms of likely timing and cost, which is more likely to make the whole program successful. So that's brilliant.

I was curious about a number of things – for example, that you could predict volumes without the applicant fee being settled. So you must have reached some sort of assumption [on] the applicant fee because the cost of the system – I don't know if it's

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over a number of years – is essentially the number of applicants times the fee, right? So did you think about what the likely fee would be?

Then I was thinking also it being a cost recovery program because, obviously if it's an ongoing thing, at some point does it not get absorbed into business-as-usual operations? Because, for example, the per-domain registration presumably is not segregated as part of the New gTLD Program. That's ICANN normal funds, right? So at some point there must be a merging of the streams and it becomes just normal business to have this system in place. Thank you.

JEFF NEUMAN:

Thanks, Nick. On the last point, one of the subjects that's in the group is defining what it means, what's part of the application program versus what kicks in with the fees and what that's meant to cover. We try to define it as best we can so that there is some sort of cutoff because – you're right – there is that switch.

Do you want to quickly respond?

CYRUS NAMAZI:

Very quickly, Nick, good questions. Thank you very much. To your last point, the second point, from the time a contract is signed and an applicant then becomes a registry, that's the point of

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transition from being a part of the program in which the cost recovery was the principle financial tool to becoming part of the operational planning and operational machine of ICANN, if you will.

I forgot what your first question. If you could quickly remind me. My apologies.

NICK: It's about the total budget, really. If it's the total number of applications times the fee, then ...

CYRUS NAMAZI: Ah, yes. Thank you. We've done some very preliminary back-of-the-envelope calculations, but part of the reason, frankly, that we wanted to have this discussion with you and other parts of the community was so that, at some point in the near-future, we have the mandate to actually have dedicated resources. This program, this exercise, it not a part of our regular budget cycle. It's not planned for, so it's all done on the sideline. So the short answer is no, but we've done some sort of analysis. But it's not to a point that I would even feel comfortable sharing it with everyone because the science behind it is just not sufficient at the moment.

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JEFF NEUMAN: 12 minutes. Jim?

JIM PRENDERGAST: You're going to hear a sense of theme here. And, no, we're not coordinated on it. I think, Cyrus, just to paraphrase what you said, we don't have a better number than 2,000. I think the best money you can spend right now is to go get a firm to do a market-sizing exercise because that drives everything else that's in this document as far as budgets, size of systems, number of employees, and time to process applications. Get an external third party to do a market analysis and give you a number, whether you release it or not. But get a sense of, at this application cost, how many people might apply and, at this application cost, this many people apply. With the discussions we've had, I know Jeff and Nick have mentioned 25,000 applications but at a much lower price in South Africa: 25,000 but not at \$185,000 a pop. Closer to \$50,000. We don't know what that number is going to be, but I think, if you go out there and you do a market research, you'll actually have something to play with that'll give you much better information than, "We're going with what we had last time."

JEFF NEUMAN: Thanks, Jim. I think we need to get to the others. I will just say, for the record, that was done prior to the last round. That's where we

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came up with the 500 number. That was not very accurate. So, if you ask me personally, I don't think there's any markets that it could be done for.

JIM PRENDERGAST: The 500 number came from a market study?

JEFF NEUMAN: There was a study done.

UNIDENTIFIED FEMALE: [inaudible]

JEFF NEUMAN: Yeah. I got ...

UNIDENTIFIED MALE: That money back.

JEFF NEUMAN: Julie, can you read Phil's question?

JULIE HEDLUND: Here's the question from Phil Buckingham. "I have many, many questions. However, the most important question to me is, it is

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crucial we establish the demand assumption. This will impact the cost recovery and the pricing model; i.e., currently 185K per applicant. Does the ICANN org plan to do some major global outreach campaign to establish the demand? How much would ICANN org put aside to do this.” That’s the end of the question.

CYRUS NAMAZI:

Hi, Phil. Thank you very much for your question. I think building awareness is a part of what we’re planning for. I want to distinguish between that, which is raising awareness that this program, this opportunity, exists versus marketing the program. We’re not in the business of actually marketing for particular registries or particular things. But we will actually plan. I think this is also a part of the PDP discussions anyway. An awareness campaign that’s something that’s definitely going to be a part of our core campaign, when the time comes. It doesn’t have to be now because the application window is realistically a number of years away, frankly.

JEFF NEUMAN:

We have Sarah and then Kathy, Kavouss, and me.

SARAH LANGSTONE:

Thank you, Jeff. Sarah Langstone from Verisign. First of all, just a comment to say that I really agree with Anne. I do think it’s

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premature to say it'll be an annual round with a three-month application window. It's just one suggestion in the initial report. No consensus has been measured. It's good to have a dialogue about it, but seeing it written down there in black and white is somewhat of a worry.

Really, the question that I have is around prioritization. I'm wondering what thoughts you have around prioritization from an implementation perspective. For example, are you going to do a draw? Are you going to say IDNs first? Are you going to say applicants from the global south first? Brands first? Generics first? Something different? I'm just wondering how you can implement for this without consensus on the approach. Thank you.

JEFF NEUMAN:

I think, on the last part, it's up to us to make recommendations as a SubPro group. If you want to answer another part of it, but as far as prioritization, I think they're waiting for us to make recommendations.

SARAH LANGSTONE:

Thank you for clarifying that.

JEFF NEUMAN:

Yeah. Thanks.

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CYRUS NAMAZI: Just one quick comment. I get nervous any time I hear that we think we can actually prioritize this and that and the other. Just be mindful not to open it up for gaming. That’s my feedback and comment.

JEFF NEUMAN: Thanks, Cyrus. Kathy, Kavouss, and then I will try to bring us to a close.

KATHY KLEIMAN: Quick question. It may be one for a follow-up, but let me present it. We, the working group, seem to be envisioning a number of comment periods that will happen at many steps along the way to the approval process of a new gTLD application. Is that something you’ve thought about and taken into account? It may add time, expenses, and staff. What would you need from us and when, from the working group, to help you with the guidance you would need to think about these multiple comment periods that we’re thinking about and looking at.

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JEFF NEUMAN: Kathy, let's save that for afterwards. I think we'll just get some clarify on the question because you're talking about comment periods that are part of the normal process.

KATHY KLEIMAN: The working group is thinking about a number of different comment processes beyond Round 1. I don't see that factored into this system.

JEFF NEUMAN: All right. Let's talk offline and frame the question because I'm not sure I fully get it. Let's talk about it, frame it, and we'll send it and get a response.

Kavouss?

KAVOUSS ARASTEH: Again, I come to you that your assumption [concerned] the community. How could you fulfill the consensus of the community? You have a mechanism. Do you have a consensus on that or just calls for some views and you put those views to the Board? And how do you reconcile between that and what we're doing? [inaudible]. Are you doing your part of the process again without considering this or considering that? Have you gotten the

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community consensus on what you're consulting the people on?  
This is number one.

The number two question. They want to use existing money, whether they're reserve accounts or new accounts, for new applications. What about the single individual having multiple applications and absorbing all this money without leaving money for the next one? Is there any priority? Is there any limit for that? And how do you finance that? By the way, a reserve account cannot be used for this because a reserve account is for unforeseen activities. These are not unforeseen activities. So we so we should be careful with the use of the reserve account. Thank you.

CYRUS NAMAZI:

Kavouss, thank you very much. Just to be clear, the assumptions that we shared here with you and with the rest of the community are operationally focused assumptions. The intent here is for us to be with people that actually have the expertise, the knowledge, the background, and are in the throes of actually dealing with the policies of it and are maybe even one step closer to potential applicants, registry operators, and registrars to validate these assumptions. It's not a replacement for policy-making processes. These are no policy-oriented assumptions.

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So they're operationally focused. So I'm not sure where you connect the dots that we're actually bypassing the process or whether there needs to be consensus. I don't think there needs to be consensus. We're really having this conversation to have different angles from the different parts of the community and provide their perspective, their input, so that we come up with better assumptions for planning purposes. The planning is for the implementation of an operation. So that's the overarching goal. To equate that to our policy-making process and achieving consensus? I'm not sure if it's a valid reference to it.

JEFF NEUMAN:

Thanks. That leaves us with the last two or three minutes. First, just to point out, I didn't want to lose an important question asked by Trang pretty early on in the session, where she said, "How do we as a group want ICANN to participate in our discussions?" A message that I have delivered on a number of occasions to Trang and Cyrus and others is we want your feedback as we go along. We'd hate to get down the road, preparing a recommendation, only to find out afterwards, after it's completely final, that it's not feasible. That does none of us good.

I think ICANN org is a little bit gun shy from things that have happened in the past of making suggestions, where they feel like

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they've been criticized for making the suggestions. I have went out on a limb and said our group won't operate like that. I think our group actually wants their views as soon as possible before we get to development of final recommendations. We have documents now that are coming out which have a very similar format. They have principles that we've agreed to or that we think – the direction we're going in, high-level agreements, things that we think may be something we can get to resolution on, and then, finally, some other open areas. Certainly, on those topics where we have principles that we have developed and high-level agreements, that's the time to really get the views in.

So my answer would be – I'm looking around the room for if anyone disagrees – that I would value those now, today, as we discuss these subjects. I have made a commitment that we would value those and not criticize those in terms of saying, well, just because (let's say Trang) says something in a call, we're not going to say, "I can't believe ICANN org is saying this." I think we need to be very respectful of their submissions and understand that they are trying to help and participate. We should apply the same rules of our code of conduct in our group to ICANN staff, like we do everyone else. So I hope that helps. We could try new things and have you participate as we go along.

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I really want to thank ICANN org, staff, Cyrus, Trang, Ash, Kristine, Xavier – I don't know if Karen was ... yeah, Karen was here. So thank you to them coming along.

CYRUS NAMAZI: Thank you very much.

JEFF NEUMAN: We are closing the session. The next meeting of our group will be tomorrow at 8:30 A.M. here? This same room. Thank you.

**[END OF TRANSCRIPTION]**