



# **BUSINESS CONSTITUENCY**

## **COMMENT ON DRAFT ICANN FY23–27 OPERATING AND FINANCIAL PLAN AND DRAFT FY23 OPERATING PLAN AND BUDGET**

**07- Feb-2022**

### **Background**

This document is the response of the ICANN Business Constituency (BC), from the perspective of business users and registrants, as defined in our Charter:

The mission of the Business Constituency is to ensure that ICANN policy positions are consistent with the development of an Internet that:

1. Promotes end-user confidence because it is a safe place to conduct business;
2. Is competitive in the supply of registry and registrar and related services; and
3. Is technically stable, secure and reliable.

### **BC comment on DRAFT ICANN's Draft FY23–27 Operating and Financial Plan and Draft FY23 Operating Plan and Budget**

The BC is pleased to submit this comment on ICANN's Draft FY23–27 Operating and Financial Plan and Draft FY23 Operating Plan and Budget. We thank ICANN Org for producing a comprehensive Operating and Financial Plan & Budget proposal that has benefited from comments on past drafts. In this respect, we can say that the BC is satisfied with the quality of the drafts produced.

The BC notes that this year's draft FY23-27 OF&P an FY23 OP is again categorized into 15 Operating Initiatives and 33 Functional Activities across 5 service groups, reflective of the previous year's structure and the BC appreciates ICANN org's consistency which helps us in evaluating the Drafts.

### **General Comments:**

We commend ICANN Org for improving the quality of the draft proposals year-on-year. However, considering that focus is on draft editions of the documents, we wish to recommend that the word draft should precede the title of both documents.

Examples: ICANN Draft FY23-27 Operating and Financial Plan and Draft FY23 Operating Plan and Budget could read Draft ICANN FY23-27 Operating and Financial Plan and FY23 Operating Plan and Budget. Also, ICANN FY23 Draft Budget could read Draft ICANN FY23 Budget. The word Draft is recommended to

come before the actual title as it is the key descriptive word. Key descriptive word is better to come first before the other title nomenclatures.

## **Section A: DRAFT ICANN FY23–27 Operating and Financial Plan.**

### **A. Develop Internal and External Ethics Policies**

On How Progress is Tracked, the BC recommends that ICANN Org includes an important step of Ethics Policy review with standards at the Transparency International or any other top ethics advancement organisations during the period under consideration.

### **B: Improve Governmental and Intergovernmental Organization (IGO) Engagement and Participation in ICANN Through Targeted Engagement**

On How Progress is Tracked, the BC recommends that ICANN Org includes a published report on the number of in-country engagements by ICANN Org/Affiliates at Fora (e.g. Internet Governance Forum) where potentially impactful issues are discussed viz cybersecurity, data protection, privacy, cultural and geographic identifiers, emerging technologies, and proposed new systems of unique identifiers. It is our belief that such engagement would constitute an early warning mechanism for further action by the concerned.

### **C. Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration With Others That May Impact the ICANN Mission**

On How Progress is Tracked, the BC recommends that ICANN Org includes a published report on the number of in-country engagements by ICANN Org/Affiliates at Fora (e.g. Internet Governance Forum) where potentially impactful issues are discussed viz cybersecurity, data protection, privacy, cultural and geographic identifiers, emerging technologies, and proposed new systems of unique identifiers. It is our belief that such engagement would constitute an early warning mechanism for further action by the concerned.

### **D. Governmental and Intergovernmental Organization Engagement**

On How Progress is Tracked, the BC recommends that ICANN Org include the number of interactions led by the CEO (or his representative) at top-level government or Intergovernmental fora where potentially impactful issues are discussed, viz cybersecurity, data protection, privacy, cultural and geographic identifiers, emerging technologies, and proposed new systems of unique identifiers.

### **E. Global Human Resources and Administrative Services**

On Activities, the BC recommends that ICANN Org makes best effort to ensure balanced talent hunt across the world that reflect diversity and the global nature of ICANN.

Also, Administrative services: BC recommends that ICANN Org provides recommendations on the possibility of ICANN acquiring a permanent Office complex in the State of California.

**Supplemental Fund for Implementation of Community Recommendations (SFICR)**

The BC acknowledges the value that the SFICR, as approved by the ICANN Board in FY21, brings to the Community’s ability to pursue multi-year, community recommendations that cannot fit within the annual budget. SFICR is funded if excess funds exist in the Operating Fund after an allocation to the Reserve Fund.

Funding the SFICR has benefited from COVID-19 which has resulted in expense reduction and increased contributions to both it and the Reserve Fund. Yet it is not certain whether such excess funds will exist in future once normal operations resume.

SFICR is proposed in FY23 to be used to fund the SSAD ODP, subject to Board approval in March 2022. Meanwhile there are numerous other community recommendations still outstanding that would qualify for SFICR and should be evaluated for their impact on the community: from CCTRT, SSR2, and PPSAI. It is the BC’s recommendation that a community driven mechanism be established to determine how priority is assigned to projects that benefit from such SFICR funding.

To this point, we understand that the SSAD OPD and program development will possibly take 4-6 years before operational. While we are aware that costs for SSAD are proposed to be recouped from user fees over 5 years, this has not yet been finalized and SFICR could find itself drained between tackling this expensive undertaking and not being able to have annual excess funds to replenish it. Meanwhile, several other multi-year outstanding and prioritized community recommendations could have been addressed.

**FY23–27 Funding Assumptions and Projections**

Note: On page 130 of the FY23–27 Funding Assumptions and Projections, the Forecast Generation shows a reduction of contracted parties predicted. Is this due to consolidation? The BC would desire explanations on how this assumption was derived.

<b>5-Year Projections</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
<b>ICANN Ops Funding</b> <i>(In Millions USD)</i>					
Base	\$152.0	\$155.3	\$158.7	\$160.1	\$161.7
Low	\$132.9	\$127.1	\$124.5	\$120.7	\$117.3
High	\$158.4	\$167.5	\$177.0	\$185.2	\$194.1
<b>Transaction Volume</b> <i>(In Millions)</i>					
Base	227.1	235.4	243.7	252.0	260.5
Low	187.5	178.1	174.5	171.8	169.8
High	239.4	259.4	280.0	302.0	325.6
<b>Contracted Parties</b>					
Base	3,592	3,580	3,567	3,553	3,545
Low	3,346	3,175	3,075	3,020	2,994
High	3,625	3,675	3,730	3,787	3,845

## Section 2: Draft FY23 Operating Plan and Budget.

### 4.2 Funding

The BC notes that there is \$0 allocated to meeting sponsorships for FY23. In a year when ICANN org expects to return to 3 face-to-face meetings, wouldn't this pose a risk to a seamless return to Face-to-Face meetings.

In Millions, US Dollars	FY23 Draft Budget	FY22 Forecast	Over / (Under)		Other FY23 Scenarios	
			\$	%	High	Low
<b>Transactions</b>						
Legacy transaction fees	\$ 93.1	\$ 90.1	\$ 3.0	3%	\$ 98.0	\$ 77.8
New gTLD transaction fees	9.9	9.5	0.4	4%	11.1	7.7
<b>Sub-total</b>	<b>103.0</b>	<b>99.6</b>	<b>3.4</b>	<b>3%</b>	<b>109.1</b>	<b>85.5</b>
Volume: legacy transactions (millions)	201.2	193.6	7.6	4%	210.6	167.3
Volume: New gTLD transactions (millions)	25.8	24.8	1.0	4%	28.8	20.1
<b>Sub-total</b>	<b>227.1</b>	<b>218.4</b>	<b>8.7</b>	<b>4%</b>	<b>239.4</b>	<b>187.5</b>
Volume: New gTLD billable transactions (millions)	21.1	20.3	0.8	4%	23.7	16.5
New gTLD Billable rate - average	81.8%	81.8%	(0%)		82.4%	81.8%
<b>Registry Fixed Fees</b>	<b>28.7</b>	<b>28.9</b>	<b>(0.3)</b>	<b>(1%)</b>	<b>28.7</b>	<b>27.7</b>
Count of total Registries/TLDs - at end of year	1,145	1,149	(4)	(0%)	1,146	1,102
<b>Registrars Accreditation</b>						
Application fees	0.1	0.2	(0.1)	(59%)	0.2	-
Accreditation fees - annual	9.7	9.7	0.0	0%	9.9	9.2
Per-registrar variable fees	3.4	3.4	-	-	3.4	3.4
<b>Sub-total</b>	<b>13.3</b>	<b>13.4</b>	<b>(0.1)</b>	<b>(1%)</b>	<b>13.5</b>	<b>12.6</b>
Count of total Registrars - at end of year	2,447	2,419	28	1%	2,479	2,244
<b>Contributions</b>						
SSR Contribution	4.0	4.0	-	-	4.0	4.0
ccTLD	2.3	2.3	-	-	2.3	2.3
RIR	0.8	0.8	-	-	0.8	0.8
Meeting Sponsorships/Other	-	-	-	-	-	-
<b>Sub-total</b>	<b>7.1</b>	<b>7.1</b>	<b>-</b>	<b>-</b>	<b>7.1</b>	<b>7.1</b>
<b>ICANN Ops Funding</b>	<b>\$ 152.0</b>	<b>\$ 149.1</b>	<b>\$ 3.0</b>	<b>2%</b>	<b>\$ 158.4</b>	<b>\$ 132.9</b>

### 4.4 Expenses by Service Group and Functional Activity

#### 4.4 Expenses by Service Group and Functional Activity

The following table compares the ending headcount (as FTE or Full-Time Equivalent) and expenses by ICANN Operations service group in the FY23 Draft Budget with the headcount and expenses in the FY22 Forecast. There are five service groups under which ICANN org's functional activities are included. To view the expenses by functional activity, please download the Excel file [here](#).

In millions, USD	FY23 Draft Budget Expenses				FY22 Forecast Expenses				Increase/(Decrease) Expenses			
	FTE <sup>(1)</sup>	Pers.	Non Pers. <sup>(2)</sup>	Total	FTE <sup>(1)</sup>	Pers.	Non Pers. <sup>(2)</sup>	Total	FTE <sup>(1)</sup>	Pers.	Non Pers. <sup>(2)</sup>	Total
Technical and DNS Security	73	\$14.9	\$10.4	\$25.3	73	\$14.2	\$5.9	\$20.1	0	\$0.6	\$4.6	\$5.2
Policy Development and Implementation Support	73	\$13.9	\$6.9	\$20.8	71	\$12.6	\$4.4	\$16.9	2	\$1.4	\$2.5	\$3.9
Community Engagement & Services	92	\$18.7	\$12.5	\$31.2	91	\$17.4	\$8.2	\$25.6	1	\$1.4	\$4.2	\$5.6
ICANN Org Governance	34	\$11.2	\$7.7	\$18.9	34	\$10.8	\$6.7	\$17.5	0	\$0.4	\$1.0	\$1.4
ICANN Org Shared Services	118	\$24.6	\$24.0	\$48.6	118	\$22.2	\$21.5	\$43.8	0	\$2.3	\$2.5	\$4.8
<b>Subtotal <sup>(3)</sup></b>	<b>390</b>	<b>\$83.3</b>	<b>\$61.5</b>	<b>\$144.8</b>	<b>387</b>	<b>\$77.2</b>	<b>\$46.7</b>	<b>\$123.9</b>	<b>3</b>	<b>\$6.1</b>	<b>\$14.8</b>	<b>\$20.9</b>
Budgeted New Hires	37	\$5.7	\$0.0	\$5.7	23	\$2.6	\$0.0	\$2.6	14	\$3.1	\$0.0	\$3.1
Contingency	0	\$0.0	\$6.0	\$6.0	0	\$0.0	\$5.2	\$5.2	0	\$0.0	\$0.8	\$0.8
Organizational Adjustments and Allocations	0	(\$2.4)	(\$2.0)	(\$4.5)	0	(\$1.4)	(\$1.0)	(\$2.4)	0	(\$1.1)	(\$1.0)	(\$2.1)
<b>Total</b>	<b>427</b>	<b>\$86.5</b>	<b>\$65.5</b>	<b>\$152.0</b>	<b>410</b>	<b>\$78.4</b>	<b>\$50.9</b>	<b>\$129.4</b>	<b>17</b>	<b>\$8.1</b>	<b>\$14.6</b>	<b>\$22.7</b>

<sup>(1)</sup> Full-Time Equivalents at the end of the fiscal year

<sup>(2)</sup> Non Personnel Expenses include Travel & Meetings, Professional Services, Administration and Capital

<sup>(3)</sup> Subtotal of allocated Functional Activities. Items below the Subtotal are not allocated and are defined in the Glossary of the FY23 Draft Budget document

The BC notes that 37 new hires are proposed for addition in FY23.

As a footnote to this chart, we are referred to the Glossary of the FY23 budget document which states “In regard to new hires, ICANN org budgets as a whole organization for headcount growth. The new hire figure is represented as a whole and not allocated out to the functional activities since it cannot be predicted at a department level.”

It is also noted in 4.4 Average Headcounts (from Highlights Document) that “Starting in FY22, ICANN org plans to hire new personnel in support of the Subsequent Procedures ODP.”, of which 22 will be hired in FY23.

We also note that on Pg. 132 of FY23–27 Financial Projections that stable headcount is proposed at 423 – yet FY23 predicts headcount at 427 after 37 new hires. We seek a better understanding of this variance.

The BC supports proper staffing to continue the important work of ICANN but note that 15 staff are unidentified in their roles. We request further details on the responsibilities of these 15 as well as the roles that the 22 staff will play within the SubPro ODP.

Of specific importance to the BC, we require confirmation that current and continuing secretariat support includes responsibility for preparation and distribution of minutes for all BC meetings during FY23 and in future years.

#### 4.7 Contingency

The BC notes that this continues to be identified at approximately 4% of budgeted expenses or \$6.0M but not allocated to any specific activities to be used for expenses impossible to forecast. While this appears to have been adequate in past years, we are interested to know how this has been used in past to ensure that this is appropriately funded going forward.

#### 4.5.2 Additional Budget Requests (ABRs)

We are pleased to see that Production of BC Outreach materials, primarily Newsletters and Factsheets specific to events in the total amount of \$15,000 with \$4,500 allocated to the BC continues to be part of core ICANN org budget and are appreciative that other requests for funding from the BC are still eligible within this program.

#### 4.6 Risks and Opportunities

We note that expense for GDPR compliance continues to be undetermined and remains a risk as it was in FY22. With an additional year of attention to this matter, we would be interested to see some estimate financial risk to this item.

## 6.5 Operational Design Phase for New Generic Top-Level Domains

We note that the ICANN Board has approved 7-9 million for SubPro Operational Design Phase with 4 million reflected in FY22 6.3.1 Total ICANN FY22 Forecast.

### **New gTLD Program**

- Expenses are \$8 million.
  - \$4 million is related to the 2012 Round including direct expenses and allocations from ICANN Operations.
  - \$4 million is related to the Subsequent Procedures ODP (expected to begin in early calendar 2022) including direct expenses and allocations from ICANN Operations.

Can ICANN org confirm where the balance of this expenditure is captured within FY23 Draft?

---

This comment was drafted by Tim Smith, Lawrence Olawale-Roberts, and Jimson Olufuye.

It was approved in accord with our charter.