AT-LARGE ADVISORY COMMITTEE
ALAC Statement on ICANN Draft FY19 Operating Plan and Budget and Five-Year Operating Plan Update

Introduction

Alan Greenberg, At-Large Advisory Committee (ALAC) Chair and Tijani Ben-Jemaa, ALAC Member of the African Regional At-Large Organization (AFRALO) developed an initial draft of the Statement on behalf of the ALAC.

On 06 March 2018, the first draft of the Statement was posted on its At-Large Workspace.

On that same date, ICANN Policy Staff in support of the At-Large Community sent a Call for Comments on the Statement to the At-Large Community via the ALAC Work mailing list**.**

On 08 March 2018, the ALAC Chair submitted comment. On 09 March 2018, a version incorporating additional comments received was posted on the aforementioned workspace and the ALAC Chair requested that Staff open an ALAC ratification vote.

In the interest of time, the ALAC Chair requested that the Statement be transmitted to the ICANN public comment process, copying the ICANN Staff member responsible for this topic, with a note that the Statement is pending ALAC ratification.

ALAC Statement on ICANN Draft FY19 Operating Plan and Budget and Five-Year Operating Plan Update

The At-Large Advisory Committee (ALAC) would like to thank the ICANN CFO and his team for the improvement made in the draft FY19 operating plan and budget in terms of clarity. The presentation of the draft budget in several separate standalone documents is helpful for direct access to the needed information without being obliged to read the whole draft budget document. The ALAC also appreciates the new information, such as the per-person costs for travel to ICANN meetings that was not previously readily available.

That being said, when such changes are made from year to year, it is imperative that context be provided. As an example, although we appreciate the travel information mentioned above, it should have been accompanied by comparable information from past years so the community can understand how it has changed over the last several years. This is all the more important given that decisions were made in the proposed budget based on such relative changes. Links between the multiple documents would also help those unfamiliar with the new formats. Additional graphics may be useful to show the relative changes over a multi-year period.

The ALAC notes that at least one document (Doc #2) was changed after it was posted with no notice on the Public Comment page of the replacement and no indication in the document that a change had been made (same document name and no indication in the document title or date that it had been revised). The ALAC also notes that the presentation of SO/AC travel seats was not accurate in that the total number of seats "per meeting" includes incoming leaders which only applies to the AGM and also includes the Technical Experts Group which is not an SO or AC. Both of these served to inflate the perception of actual travel allocated to SO/ACs.

The ALAC appreciates that ICANN is entering a period where we can no longer expect growing budgets, and strongly supports ICANN's intent to both operate within its projected revenue and work towards having a reasonable reserve.

The ALAC does not support the direction taken in this budget however. Specifically we see an increase in staff headcount and personnel costs while services to the community have been brutally cut. ICANN's credibility rests upon the multistakeholder model, and cuts that jeopardize that model should not be made unless there are no alternatives and without due recognition of the impact.

At-Large, unlike many parts of the ICANN multistakeholder community, exists solely through the benefit of individuals who are not employed in the domain industry and to a large extent, not even in jobs related to the Internet. Without ICANN financial support, we would simply disappear from the ICANN ecosystem - a cut in our support can severely damage At-Large involvement.

In this budget, there are two such clear examples. The CROP program (which just recently was transformed from a pilot program into a core budget-funded program) was eliminated. It was done with absolutely no mention in the documents. If the program was so expendable as to not even warrant a comment, why was it just recently incorporated into core budget? This program is relied upon by those parts of the community that are least able to self-finance outreach and engagement. There will be a significant impact of its disappearance. The budgets documents are silent on the logic, but finance staff

have said it was due to the high cost of meetings this coming year (implying but not explicitly saying that this was a one-time cut which would be reinstated next year). The community has absolutely no say in meeting location choice and should not be penalized because of it, and particularly penalized in ways that impact our ability to deliver what is expected of us. At the time several years ago when the community indicated that it wanted to meet in a wide variety of locations, there was no discussion of that decision impacting other budgets.

The other example of such a cut is the SO/AC Additional Budget Requests (ABRs). Last year's budget was $646,800. This budget proposal says that the ABR is being cut by "more that 50%". Finance staff have told us that the FY19 placeholder envelope is $300,000, however, document #4, page 21 says that the placeholder envelope is $215,735, a cut of more than 2/3. Whichever number is correct, this will have a very significant impact on the ability of SO and ACs to operate effectively. Programs such as the Academy Leadership Training, the Global Indigenous Ambassador and real-time Teleconference Captioning originated as ABR projects before being taken into the core ICANN budget.

We also note that in addition to the above cuts, GSE will have reduced funding for sponsorships and contributions. Budget reductions such as these goes directly against ICANN strategic objectives:

> 4.1 Encourage engagement with the existing Internet Governance Ecosystem at National, Regional and International levels.

> 4.3 Participate in the evolution of a global, trusted and inclusive multi-stakeholder Internet Governance Ecosystem that addresses Internet issues

The ALAC regrets the cut in the Fellowship. Some of our best leaders within At-Large, including our current Board Member were introduced to ICANN through the Fellowship Program.

The ALAC also has concerns that industry sources seem to believe that the "Low Estimate" and "Best Estimate" for expected registrar and registry revenue may be rather optimistic, implying the possibility of further cuts or impact on the reserve. Perhaps ICANN should consult with their larger registrars and registries to ensure that revenue estimates are not overly optimistic.

Non-IANA personnel costs account for about 50% of the non-IANA expense budget (48% of the FY18 adopted budget, 50% of the FY18 budget forecast, and 56% of the FY19 draft budget. As such, these costs bear closer examination. FY19 personnel costs increased 11.0% from the FY18 adopted budget, and 12.8% from the FY18 forecast. Noting that ICANN often uses contracted services in lieu of staff, it is reasonable to compare the total of the two. In that case, the FY19 amount is 2.9% over the FY18 adopted budget, and 4.8% over the FY18 forecast. So even considering contracts (which include a wide range of other non-personal costs), we are seeing a substantial increase. In a budget that is supposed to be based on "stabilized" such increases do not seem reasonable in the absence of a carefully reasoned rationale.

To be clear, the ALAC does not oppose staffing increases as such. In any dynamic organization such as ICANN, there will always be changing needs and demands which warrant bringing in new people. From an ALAC point of view, in the middle of an Organizational Review, we may well be able to justify the need for additional support and we presume the same may be true for other policy groups and support services throughout the organization. And as needs change, we need to be confident that that staff are

deployed factoring in fitness-for-purpose. Appropriate changes to improve effectiveness are critical. But there needs to be clarity when such changes are presented to the community.

Looking at this draft budget and the history in ICANN indicates that there are often budgetary issues where funding is spent counter to established policy and practice. Although this may not be the right forum to look at examples, ICANN needs to be careful that if we ask the community to make sacrifices, that we scrupulously treat all parts of the community with fairness.

In terms of overall budget philosophy, it is common in constrained budgets to cut "easy" areas such as education and travel. In the long term, these usually turn out to be easy but bad decisions.
We must accept that domain registration revenue is constrained at this point. In fact, if anti-abuse measures are effective, we may see a drastic drop in registrations associate with such abuse. Although the number of gTLDs has grown, there is great pressure on ICANN to reduce registry fixed costs. At-Large does not support such actions – ICANN should not bear the costs of unsuccessful business models. ICANN must investigate alternative revenue options, both steady state and one-time. Examples include use of reasonable percentage of auction proceeds for the reserve and using some percentage of New gTLD fees to fund operational expenses. This is completely justifiable based on two rationales:

- New gTLDs have little merit if ICANN is not finically stable;
- As the number of TLDs increase, so will contractual compliance costs. Yes the increased revenue based on 2nd level names has not kept pace.

In summary, the ALAC supports a balanced budget, but if cuts are necessary, they need to be balanced and fair and not target only the most vulnerable. Moreover there needs to be a clear rationale provided if there are to be increases such as presented for personnel in this FY19 plan.

The ALAC wishes to call attention to one of its prime methodologies for engaging the globally distributed At-Large Community. Based on processes that have been developed and evolved over the previous decade, in 2016 the ICANN Board approved the ALAC Proposal for Multi-Year Planning of At-Large Face-to-Face Meetings and it was integrated into the ICANN Operational Plan. This program calls for periodic regional gatherings (General Assemblies) and a global meeting every five years (At-Large Summit - ATLAS). The last such meeting was held in 2014 and the next is currently being discussed for FY20 during ICANN66 in Montreal. Although any budget for such a meeting will only be formally approved in June 2019, it is clear that both ICANN meeting staff and the At-Large ATLAS III Organizing Committee will have to begin planning long before that. This forward planning was the reason that the multi-year proposal was made and accepted by the Board. The ALAC is well aware of the current budget situation, and notes that despite significant growth in At-Large over the past years, the ATLAS meeting being discussed will need to be based on a more focused approach in terms of topics covered and participants. ATLAS III will focus on enhancing facilitation and support of policy involvement by those in regions who otherwise have little direct contact with ICANN with the aim of increasing their input into At-Large and ICANN policy activities. The meeting will fully support the initiatives to increase regional and individual participation being discussed in connection with the At-Large Organizational Review.