Registries Stakeholder Group Statement

Issue: **ICANN Draft FY20 Operating Plan and Budget and Five-Year Operating Plan Update**

Date statement submitted: **8 February 2019**

Reference URL: https://www.icann.org/public-comments/fy20-budget-2018-12-17-en

Background[1]

Key documents   ICANN Draft FY20 Budget Introduction & Highlights
                            Letter from the CEO
                 ICANN Draft FY20 Total Budget
                 ICANN Draft FY20 Operating Plan
                 ICANN Draft FY20 Five Year Operating Plan Update

                 ICANN Draft FY20 Operating Plan by Portfolio
                 ICANN Draft FY20 Operating Plan by Project

                 ICANN Draft FY20 Operating Plan and Budget by Portfolio Spreadsheet

RySG Comment ICANN Draft FY19 Operating Plan and Budget and Five Year Operating Plan Update (8 March 2018)
https://docs.wixstatic.com/ugd/ec8e4c_8d2636c1bf8e49e6817c69c9526b107e.pdf

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Registries Stakeholder Group (RySG) comment:

The Registries Stakeholder Group (RySG) welcomes the opportunity to comment on the ICANN Draft FY20 Operating Plan and Budget and Five Year Operating Plan Update. We have carefully reviewed the documents and wish to make the following comments.

Overarching Points
1. ICANN's focus on cost control is welcomed and supported by the RySG. We believe that this needs ongoing focus, commitment and specific targets.
2. ICANN's use of surplus funds from the operating budget to top up the Reserve Fund is welcomed and supported by the RySG.
3. The RySG does not support the transfer of funds from the New gTLD Auction Fund to the Reserve Fund and we are strongly of the view that this must be a one-off, unique event.

ICANN Funding

The budget forecasts an income for ICANN funding of US$140m. Has ICANN adequately sensitised this forecast? Since the forecast is directly dependent on the number of SLDs within the gTLDs that

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[1] *Background: intended to give a brief context for the comment and to highlight what is most relevant for RO's in the subject document – it is not a summary of the subject document.*

ICANN deals with, the RySG recommends that ICANN discusses or reviews the forecasts with any individual registry operators.

Staff Costs

Staff costs stand out as the single biggest cost that ICANN incurs (56% of costs in FY20). ICANN staff costs have continued to grow (US$76.3m in FY20, US$72m in FY19). The RySG questions the requirement for ICANN to operate with such a large (*circa* 400) staff. Also, we request that ICANN benchmark costs against comparable organisations e.g. in terms of percentage of expenditure on staff and actual amounts spent on specific roles. Evidence of such benchmarking is requested to improve accountability.

What action is being taken to control and reduce this single largest item of expenditure? To what extent does ICANN use consultants in place of employees? The RYSG requests assurance and evidence that staff and consultant costs are being adequately controlled and that there is transparent reporting of consultant costs and numbers.

Human Resources & Admin

The HR & Admin function has a headcount of 22 and an annual budget in FY20 of US$4.5m. This amounts to approximately 5% of headcount and a budget, which is not far off from that of the ICANN Policy Development function. The RySG believes this to be excessive. What steps is ICANN taking to contain this cost? The RySG requests that ICANN benchmark staff numbers and costs against comparable organisations and provides evidence of such.

Pilot Drafting Program

The RySG has made very good use of this program and is of the view that our contributions to public comment have been materially improved in terms of both quantity and quality as a result. We view this program as being a critical and effective measure to mitigate volunteer burnout and are therefore concerned by its apparent omission from the FY20 budget. We are not aware of any community led requests to remove the program and are aware of specific requests to retain it. The RySG requests ongoing support for drafting.

ICANN Meetings

ICANN meetings are a significant financial burden on the organisation (US$12.6m in FY20). The RySG requests that ICANN look closely at what it can do to contain or reduce the cost to ICANN Org and the broader community. Further, the RySG requests that ICANN work to manage the cost of meetings including a review of the following factors:

- Does ICANN require 3 meetings per year or could it work with 2 meetings?
- Could ICANN reduce cost of meetings in addition to fewer meetings such as:
    - Repeat hosting in key or "hub" locations?
    - Reduction of excessive or inadequately managed travel support?
      For example; is the ICANN Board satisfied that the Fellowship Program and the funding of travel for GAC representatives value for money and tangible benefit to the organisation and is tightly managed in all aspects? The RySG requests effective reporting by beneficiaries and ICANN Org as well as overall effective management by ICANN Org of such costs.

Funding of the GDD / OCTO

The RySG notes that the Generic Domains Division (GDD) is vital to the effective functioning and working together of ICANN Org and the Contracted Parties. Is ICANN satisfied that the GDD is adequately funded? The RySG requests information as to what measures are being taken to assess whether or not the GDD is adequately funded and to ensure that vacant posts are filled in a timely manner.

The RySG notes that the Office of the CTO attracts a budget of US$7.3m, circa ⅔ of the funding of the GDD (US$11.9m). Is this separate and substantial expenditure all necessary and could there be some rationalisation of the OCTO expenditure? What steps are being taken to assess the necessity, value and organisation of this expenditure?

ICANN Policy Development Support

ICANN Policy development support is scheduled to receive only 4.5% of the budget in FY20 (US$6.3m). The RySG views policy development work as a core function if not *the* core function of ICANN, yet it attracts relatively modest funding. Is the Board satisfied that this item is adequately funded? Specifically, what method or approach is taken by ICANN Org to ensure that budget is properly prioritised and balanced between specific departments?

Future rounds of new gTLDs

ICANN simply repeats in this budget the statement that no funds are being made available to fund the "Next Round" of new gTLDs. Further, that no staff have been assigned to be responsible for this. The RySG requests that ICANN append this statement with a comment indicating that resources will be committed and that these will include staffing and funding and moreover, remain aligned with community priorities.

Engagement

DNS Industry Engagement is budgeted to cost US$7.5m. In addition, there are 31 staff and a further US$8m earmarked for Global Stakeholder Engagement. The RySG is not satisfied that all of this spend is necessary, therefore the extent of resources (US$8m) is required. The RySG requests that ICANN Org provides information as to how this cost is being managed and potentially reduced.

Annual Contribution to the ICANN Reserve Fund

The RySG welcomes and strongly supports this fiscally prudent approach by ICANN. We view ICANN as a very well funded organisation that must live well within its means, including making appropriate contributions to the Reserve Fund in order to ensure long-term financial stability.

New gTLD Auction funds

The Board has sanctioned a transfer of funds from the New gTLD Auction Fund to the Reserve Fund during FY20. US$36m will therefore be transferred from the New gTLD Auction Fund to the Reserve Fund during the FY20 year. To the extent that this does go ahead, the RySG does not support this and strongly believes this should be viewed as a unique and one-off event. This need to replenish the Reserve Fund arises from inadequate oversight (by the Board) and control of expenses (by the staff) during the IANA transition and the Board must take steps to ensure that effective control of such expenditure is in place in the future.