

Issue: **Initial Report of the New gTLD Auction Proceeds Cross-Community Working Group**

Date statement submitted: **11 December 2018**

Reference URL:

<https://www.icann.org/public-comments/new-gtld-auction-proceeds-initial-2018-10-08-en>

Background¹

The Initial Report sets out the core issues that the New gTLD Auction Proceeds Cross-Community Working Group (CCWG) addressed in carrying out its charter since its inception in January 2017. It records the CCWG's discussions regarding options around a mechanism(s) to allocate the new gTLD Auction Proceeds in accordance with ICANN's mission and bylaws.

The CCWG welcomes feedback on any of the issues raised and particularly on:

- The four options presented as possible mechanisms to allocate auction proceeds funds, which are described in section 4.1.
- Responses to charter questions included in section 5.
- Preliminary recommendations and implementation guidance included in section 5.

Registries Stakeholder Group (RySG) comment:

The Registries Stakeholder Group (RySG) welcomes the opportunity to comment on the Initial Report of the New gTLD Auction Proceeds Cross-Community Working Group. We appreciate the CCWG's core values of efficiency, frugality, and transparency and support the majority of the recommendations as they tend to promote a common-sense, fair approach toward utilizing the vast resource of auction proceeds. We hope our comments will help the CCWG propose the best path forward toward achieving its goals.

Preliminary CCWG Recommendation #1

The CCWG's Preliminary Recommendation #1 presents three potential structures. We think that the structure that is chosen should reflect the goal of promoting transparency and accountability. If a division is created within ICANN, the principles of accountability that were expressed in the recommendations of the Initial Report should be incorporated to ensure that the operations and decisions of the division are fully transparent and consistent with the principles set forth by the CCWG.

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.*

Additionally, any organization that coordinates the distribution of funds should not be limited to charitable organizations. It is impossible to determine at this point whether the best organization to fulfill the goal were a non-charitable organization. An unincorporated committee might be formed from stakeholders to direct the best use of the funds, and unduly restricting the use of the funds could lead to inefficient use of the funds in the future.

Preliminary CCWG Recommendation #2

In Recommendation #2, the CCWG recommends that the auction funds be used to “Benefit the development, distribution, evolution and structures/projects that support the Internet’s unique identifier systems,” to “Benefit capacity building and underserved populations,” and to “Benefit the open and interoperable Internet.”

The CCWG, in the initial report, stated that ICANN supporting an education campaign of the various options and uses of the DNS is a “Noble Cause.” However, the CCWG expressed desire to further investigate whether this use of the Auction Funds would be consistent with the ICANN Mission and Bylaws. Currently, ICANN is engaging in an effort to promote Universal Acceptance by educating developers, registrants and end users about new gTLDs, including internationalized domain names, and the interoperability of all domain names. The RySG believes that the work around Universal Acceptance falls within and supports ICANN’s mission of promoting the “openness, interoperability, [and] resilience” of the Domain Name System, per Section 1.1(a)(i) of the ICANN Bylaws.

In addition to the work being undertaken around Universal Acceptance, a majority of RySG members also support the use of auction funds to promote universal awareness of all domain name extensions via an educational campaign, such as that outlined in “Example Project 12” (in the initial report is listed as “Previous #12”). The RySG would like to point the CCWG-AP to the comments submitted by individual RySG members and other community members, which indicate that such a Global Awareness education campaign would enhance trust in the broad array of options in the DNS, foster competition, promote Universal Acceptance and the interoperability of the DNS. Should such a campaign be recommended by the CCWG, we would recommend that contracted work in furtherance of a Global Awareness campaign be put out to RFP, with a minimum of three bidders.

Preliminary CCWG Recommendation #5

According to the CCWG, “[t]he CCWG has not yet come to agreement on whether ICANN Org or a constituent part thereof should be a beneficiary of some of the auction proceeds and as such would welcome input on this question during the public comment period so that an informed decision can be made.”

As we have previously stated, use of the Auction Funds to replenish the Reserve Fund or for general ICANN purposes should be done as a result of community consensus:

[S]hould it be determined by the CWG Auction Proceeds process that such a use of Auction Funds is permissible AND there be a community consensus determination through this comment process on replenishment that there is a requirement for Reserve Fund top-up beyond that provided for by regular, annual contributions from ICANN Org, then the use of

Auction Funds in this context may be appropriate as a supplement to the regular, annual contributions from ICANN Org.²

If the CCWG determines that there is community consensus for using a portion of the Auction Proceeds to replenish the Reserve Fund, we strongly urge the CCWG to tie strong and definite conditions of fiscal responsibility and frugality to the disbursement. These limitations should be that: 1. ICANN must rescope projects and develop a budget within its current means (this may mean cutting programs, heads, and bloat that has crept in - the reserve fund should be to support a lean, frugal organization through an emergency, not to fund special projects). 2. ICANN must live within that budget, because the disbursement is not recurring.

Preliminary CCWG Recommendations #9 & #10

Recommendations #9 and #10 propose that there should be a review mechanism during and after the auction funds have been allocated and used. Measurement goes to the heart of transparency and accountability, and we strongly believe that mechanisms should be put in place to grade and ensure that the auction funds are having the strongest possible impact.

Additional Recommendation

Lastly, we think that the CCWG should be implemented in such a way that permits continued and efficient allocation of funds that become available in the future. This would support ICANN's commitment to transparency and consistency. One way that ICANN could achieve this objective is setting up an independent entity to manage these funds, and future funds, with a transparent charter. Additionally, another way ICANN could achieve this would be to transparently determine how auction proceeds would be allocated prior to the auction.

² RySG Comment on the ICANN Reserve Fund Proposed Replenishment Strategy, 25 April 2018,
https://docs.wixstatic.com/ugd/ec8e4c_d599632ff1da4402b090f8fda38e7669.pdf