**Q&A Registry Constituency and JAS WG**

The WG thanks the Registry Constituency for the comments and questions submitted. The answers can be found below.

On a general note, the WG notes that criteria different from matrix. Criteria was part of the charter, but matrix not.

**3.2 Notes on Financial Need**

The overriding consensus of the WG is that financial need and capability is the primary criteria for determining eligible applications. Such need and capability is to be demonstrated through the following criteria:

1. Applicants must be capable of of contributing $45,000 towards ICANN's application fee, unless ICANN waives, or lowers application fees.

2. Where applicants anticipate scheduled fees, such as for extended evaluation, the applicant must be capable of contributing a quarter of the scheduled fees.

***[RYSG] How was this determined? Is it sufficient to demonstrate viability? Some explanation of the WG thinking on this would be helpful.***

3. Applicants must be capable of contributing $45,000 towards registry operational costs, if the applicant proposes to operate its own registry platform. If the applicant proposes to share registry operational costs with other qualified applicants, the applicant must be capable of contributing the pro- rated proportional share of this cost.

***[RYSG] Is the $45,000 amount an annual figure? It might make up a very small percentage of operational costs.***

**[JASWG]** Answer to 3.2 questions:

ICANN used figures in this range in 2000 and 2004. As the final fee is not yet fixed, see fee reductions, elsewhere, this minimum applicant capability is subject to increase, or decrease.

Current offers of record by registry technical service providers to potential applicants are significantly lower than this figure. The total marketing budget PuntCat invested in .cat was 2,000 euros.

4. Applicants must be capable of of contributing $45,000 towards registry continuity operational costs, if the applicant proposes to fund its own continuity operation. If the applicant proposes to share registry continuity operational costs with other qualified applicants, the applicant must be capable of contributing the pro-rated proportional share of this cost.

***[RYSG] It would be helpful to explain the basis for the $45,000 amount.***

Part 4 - What benefits do qualified applicants receive?

The WG recommends a number of different kinds of support to be made available for eligible applicants, which fall into the following categories:

4.1 Financial support/relief from ICANN

4.1.1 Cost Reductions

The WG recommends the following fee reductions to be made available to all applicants who are determined as meeting the criteria established for support:

• Waive (consensus for this in the Milestone report) the Program Development Costs (US$26,000)

• Lower risk/contingency cost (US$60,000)

***[RYSG] If these contingency funds are actually needed at the amount estimated, where would the deficit come from?***

• Review Base cost (US$100,000) to see if reduction can be made

• Cost reductions to encourage the build out of IDNs in small or underserved languages.

**[JASWG]** Current offers of record by registry technical service providers to potential applicants are significantly lower than the $45,000 figure.

If ICANN is correct in the cost estimates, then cost increase will be transferred to other applicants. Lowering fees for few applicants automatically rises to others.

Regarding contingency, this is a risk cost. As applications are reviewed to a higher standard for eligibility, rational risk must, of necessity, be altered downward, reducing rational contingency funding requirements. The same question arises if the contingency funds actually needed are in excess of the amount estimated, for applications not reviewed to a higher standard for eligibility.

***[RYSG] Does the WG believe that costs will be less for ‘IDNs in small or underserved languages’? If not, what is being suggested here?***

• Lower registry Fixed Fees

**[JASWG]** The WG is not making any assumptions the cost will be different for IDNs. This is, nonetheless, not a leveled field.

***[RYSG] Assuming the fees are reasonable with regard to services provided to registries, would other registries be expected to make up the deficit? Or does the WG believe the fees are too high? If the latter, was any analysis done to support that position?***

• Exemption or deferment of IPv6 implementation requirements as possible

**[JASWG]** If ICANN is correct in the cost estimates, then cost increase will be transferred to other applicants. Lowering fees for few applicants automatically rises to others.

***[RYSG] Could this put the registry at a competitive disadvantage compared to registries that support IPv6?***

Further reductions recommended

• Reduction of the Financial Continued Operation Instrument Obligation to 6-12 months

**[JASWG]** In the WG’s opinion, no. DNS providers who don't keep up with the market (which means IPv6 and DNSSEC in this context) will lose business to those who do. However, this will not, in our opinion, be relevant to new registries during the initial year(s) of operation, while the IPv6 requirement is deferred.

In some countries the IPV6 infrastructure might not yet be there. Also, the cost of having theis technology is high for some applicants.

The WG further suggests the IPV6 capability is offered to the applicants in need at advantageous terms.

***[RYSG] What if the registry fails? Does the WG suggest a higher tolerance for failure in exchange for a smaller continued operation obligation?***

**[JASWG]** The presumption of failure applies to all registries, including the 2000 and 2004 round applicants now, or their successors in interest, operating registries. The staff choice of three years of continuity funding rationally reflects the failure scenario for applications made by speculators and other uninformed investors. The eligibility criteria for applicants seeking support eliminates these likely-to-fail applicants. Eligibility criteria ensure that the likely elapsed time to continuity operator discovery for registries "in continuity" arising from support eligible applicants is significantly less than that of random speculator driven failures. See also the response concerning contingency risk, as the same higher review standard lower risk cost principle applies here.

The WG is not suggesting high tolerance for failure, however, the WG believes that the continued operations following the failure is considerable less than the ICANN estimates.

4.1.2 - Staggered Fees

Instead of paying the entire fee upon acceptance of the applications, applicants meeting the criteria established for support could pay the fees incrementally. Staggered fees payment enables an applicant to compete for strings that might otherwise have gone to the first and/or only group with enough money to apply.

***[RYSG] Staggered over what period of time? What happens if progress payments are not made on time?***

**[JASWG]** These details must be specified, but we are not yet done. ICANN's schedule, or process, is not under the control of the working group.

Part 5 - Evaluation process and relationship to the new gTLD Applicant Guidebook (AG)

The WG has determined, at this time, that best possible process to provide support for such applications is to be done through a process that is parallel to, and not a replacement of, the ICANN Applicant Guidebook. Thus, even after the Guidebook is formally approved, this WG can continue its work to refine those components of its mandate which remain unresolved. It is important that the AG make mention of this program and refer interested potential applicants to it, however it is not the WG's intention to otherwise affect the existing application process. To qualify for support applicants may be required to demonstrate that they meet this program's criteria on financial need and public interest; however such activity is intended to supplement, not replace, existing mechanisms in the AG.

The WG had full consensus that Applicants that receive support under this program should repay that support as possible, and that such repayments go into a sustainable revolving fund used to support the future applications. Repayment is dependent on the gTLD Operator's financial success and will take the form of either

• a capital contribution or lump sum; or

• an income contribution or annual installment of until a lump sum is repaid; or

• repayment of the full or a percentage of the reduced base cost fee expended by the Support Development Program.

The following broad steps did not obtain thorough evaluation or full consensus by the WG, but have been suggested as a starting point to this process and will be further refined by the WG based on the Parts 1 to 4 above. Note the process is meant to be to be in parallel with the AG-

1. the Application is assessed using the criteria described in Part 3 and this Step takes place before the Application enters the AG process

***[RYSG] Is there enough time for this?***

**[JASWG]** We hope so :-)