

Privacy and Proxy Service Provider Accreditation Program

Program Fees Proposal

Office of the Chief Financial Officer
27 July 2018



TABLE OF CONTENTS

Executive Summary	3
Factor 1: Benchmarks	4
Relevant Application Fee Benchmark	4
Factor 2: Transparency	5
Application Fee	5
Ongoing Accreditation Fees	5
Factor 3: Costs Estimates	6
Program Startup and Application Processing	6
PP Accreditation Program Fee-Setting	8
Application Fee	8
Annual Fee	8

Executive Summary

The following report summarizes how the ICANN determined the proposed fee structure for the new Privacy and Proxy Service Provider Accreditation Program ("PP Accreditation Program"). This report is provided as background material for accreditation program materials that are being posted for public comment.

ICANN org considered the overall environment during the fee-setting process. The environment includes the effects on the parties that could be subject to the fees and the obligations that are created along with the fee. This consideration was made in the context of a long-term perspective of the fee.

The factors that were included in this analysis are as follows:

- Benchmark: fees used for comparable relationships and obligations.
- Transparency (simplicity, stability and predictability) of the fees.
- Costs associated with the activities performed by ICANN org due to the obligations created as a result of the accreditation program.

Considering the three (3) sets of factors outlined above, ICANN org proposed the following fees for the PP Accreditation Program:

	Application Fee	Annual Accreditation Fee
New entities (including Affiliates of existing accredited entities)	\$3,500 USD	\$4,000 USD
Existing accredited entities	\$2,000 USD	\$4,000 USD

ICANN org solicited initial community feedback on the proposed fees via the Privacy and Proxy Service Provider Accreditation Program Implementation Review Team. Initial feedback from the IRT indicated that many IRT members believe the proposed fee to be excessive when compared to estimated program costs. However, as noted in this report, program costs are only one of the three elements included in the analysis of an appropriate program fee.

ICANN org is now soliciting broader community feedback, as required by the ICANN bylaws prior to the Board's consideration of the issue, during the public comment period on the PP Accreditation Program materials. The community is requested to consider each of the three factors supporting the proposed fee structure in reviewing this proposal and providing feedback.

Factor 1: Benchmarks

The first factor used to set proposed fees for the PP Accreditation Program is an evaluation of relevant benchmarks to inform the definition of a fee. This helps to avoid defining fees that could create inconsistencies or the appearance of inconsistencies.

In this instance, ICANN org's registrar accreditation program is a useful source of benchmark data, as the services provided by ICANN org in administering the PP Accreditation Program are expected to be very similar. For example, ICANN org will evaluate and process applications for accreditation for privacy and proxy service providers on a rolling basis, as it does for registrars, and will administer similar account services as provided for registrars. ICANN org fees related to the evaluation of gTLD registry operators were not a useful source of data in this analysis, as the scope of services is radically different. Evaluation of gTLD registry operators is a much more detailed process than an evaluation of a registrar or privacy/proxy service provider.

The benchmarks analysis helps to ensure that the fee is appropriate considering other market factors. The fee should not be excessive, which would deter potential privacy and proxy service providers from seeking accreditation. But the fee should also be high enough to ensure that only entities that are capable of and committed to fulfilling their contractual obligations seek and maintain accreditation.

ICANN org considers that the registrar accreditation program fees are a relevant benchmark to ensure the fee is neither too low or too high.

Relevant Application Fee Benchmark

The application fee for registrar accreditation is \$3,500 USD. This fee applies regardless of whether an entity is new to the ICANN space or a seasoned registrar with many existing registrar accreditation agreements with ICANN.

Relevant Accreditation Fee Benchmarks

Registrars accredited by ICANN are required to pay several ongoing fees:

- Annual accreditation fee: \$4,000 USD
- Variable fee (quarterly), representing a portion of ICANN org operating costs, divided among registrars.
- Transaction-based fee (quarterly): \$0.18 for each new registration, renewal or transfer.

Factor 2: Transparency

The second set of factors is in support of transparency which is considered served if the fee is simple, predictable and stable. This ensures that the fee structure is easily understandable by all potential actors in the market and can be used as such, and that it does not change erratically or frequently. If fees frequently change, this would create uncertainty among interested parties and would render more difficult the use of the fees for current and future business purposes.

Application Fee

A fixed application fee, as opposed to a billed fee that might be based on hours required to evaluate an application for accreditation, for example, provides predictability around the fees for applying for accreditation, and allows also for stability.

Ongoing Accreditation Fees

Like a fixed application fee, a fixed annual accreditation fee is clear, predictable and provides certainty to providers about what fees will be owed to ICANN org, and when these fees will be due.

Factor 3: Costs Estimates

Costs estimates are useful, in addition to the two previous factors, to corroborate the level of the fees proposed. It is particularly important for ICANN org, as a non-profit organization, to ensure that it does not create potential general funding issues by underestimating the fees, or jeopardize its tax-exempt non-profit status by setting the fee at a too high level.

The costs are estimates and are likely to change over time. Activities that were evaluated as part of the fee-setting process, which are expected to contribute to the cost of setting up and running the PP Accreditation Program, are also likely to evolve. The following ICANN org activities and associated cost estimates were considered by ICANN org as part of its setting of proposed PP Accreditation Program fees.

Program Startup and Application Processing

The following activities are expected to directly contribute to PP Accreditation Program startup costs. The ICANN org departments that will be most involved in these activities are also identified. The list below is not exhaustive: There will be other ICANN org activities and departments that will contribute to the startup of the PP Accreditation Program and initial application processing.

Activity	Relevant Department(s)
Program startup	GDD (Global Implementation, Operations, Registrar Services, Technical Services, Product Development, Legal)
Compliance program setup	Contractual Compliance
Application processing	GDD (Operations, Registrar Services, Compliance)
Background checks	External vendor, Legal, GDD
PPAA education program certification	GDD (Operations, Registrar Services)
PPAA Contract issuance	GDD Operations, Legal
Outreach and engagement	GDD Registrar Services, Compliance

Activity	Financials	Per-Unit Financials (250)
PP Application Initial Evaluation Ops (Global Implementation Team)	\$192,531	\$770
PP Application Initial Evaluation Ops (PP-Ops) (includes vendor background cost)	\$631,790	\$2,527
PP Application Initial Evaluation Ops (Global Support)	\$16,282	\$65
PP Application Initial Evaluation Ops (Registrar Services)	\$26,085	\$104
Initial Application PP Contractual Compliance	\$19,423	\$78
Billing and Collections Direct Services	\$7,800	\$31
Overhead @25%	\$223,478	\$894
Total	\$1,117,390	\$4,470
Proposed Application Fees:		
Application Fee Existing - Cost of background check only		\$2,000
Application Fee New Contracted Party		\$3,500
Notes:		

All estimates are based on a population of 250 PP applications for accreditation		
Background check is based on \$2,000/application estimate		

Ongoing Accreditation Program Maintenance

The following activities will contribute to the ongoing maintenance of the PP Accreditation Program. The ICANN org departments that will be most involved in these activities are also identified.

The list below is not exhaustive: There will be other ICANN org activities and departments that will contribute to the maintenance of the PP Accreditation Program. ICANN org has not itemized specific costs associated with many of the activities below, as these activities are part of day-to-day organizational operations and cannot be accurately separated out from more general organizational costs.

Activity	Relevant Department(s)
Accredited Provider Account Management Services	
PP Acquisition	GDD (Operations, Registrar Services)
PP Annual Compliance Certificates	GDD Operations
PP General Ticket Queue/Standard Updates	GDD Operations
PPAA Assignment (PP to New)	GDD (Operations, Registrar Services)
PPAA Assignment (In-family)	GDD (Operations, Registrar Services)
PP Data Escrow Agreement (RDEA) Amendment	GDD (Operations, Registrar Services)
PP Data Escrow Agent (DEA) Application	GDD (Operations, Registrar Services)
PP Data Escrow Agent (DEA) Change	GDD (Operations, Registrar Services)
PP Data Escrow (DE) Notifications	GDD (Operations, Registrar Services)
PP Data Retention Waiver	GDD (Operations, Registrar Services)
PP Merger (PP and New Entity)	GDD (Operations, Registrar Services)
PP Name Change	GDD (Operations, Registrar Services)
PP Primary Contact Update	GDD (Operations, Registrar Services)
PPAA Renewals	GDD (Operations, Registrar Services)
PPAA Training Certification	GDD (Operations, Registrar Services)
PP Contact Updates (non-self-service)	GDD (Operations, Registrar Services)
PPAA Termination	GDD (Operations, Registrar Services)
PP Services Reporting	GDD Operations
Knowledge Base Maintenance (ongoing)	Global Support
Inquiry Case Management	Global Support
Process Case Management	Global Support
Maintenance of Educational Program	GDD Registrar Services, Legal, Compliance
Outreach and Engagement	GDD Registrar Services, Compliance
Accreditation Program Management	
Program Management	GDD Registrar Services
Reporting and Metrics	GDD Registrar Services, Compliance
Technical Oversight and Consultation	Technical Services
Legal Support	Legal

Compliance	
Compliance Status Report request processing	Compliance
Complaint processing	Compliance
Audit	Compliance

PP Accreditation Program Fee-Setting

Application Fee

Considering the factors outlined above, ICANN org determined that an appropriate fee for the application for accreditation as a privacy and/or proxy service provider is \$3,500 USD for new entities (including affiliates of existing contracted parties), with a discounted \$2,000 USD fee for existing accredited entities.

The proposed \$3,500 USD application fee (which will apply to most applicants) is identical to the fee for applying to become an ICANN-accredited registrar. This fee does not appear to have been a significant deterrent to entities obtaining registrar accreditation, and is related to overall estimated costs of evaluating an application for accreditation.

The background check process is a significant contributor to the cost of evaluating an application for accreditation. This is a fixed cost, as each entity must be screened as part of the due diligence process.

Where an applicant for accreditation is an existing contracted party, the background check requirement may be waived in some circumstances, such as where the entity has a clear compliance history and has been background screened within the previous calendar year.

This motivated ICANN org to propose a fee discount for this group of applicants.

Annual Fee

Considering the factors outlined above, ICANN org determined that an appropriate fee for the annual accreditation of a privacy and/or proxy service provider should be \$4,000, the same base fee currently charged for ICANN org-accredited registrars.

The activities that will contribute to the maintenance of the accreditation program will be nearly identical to the activities that contribute to the maintenance of the registrar accreditation program.

The simplicity and cost factors weighed in favor of not proposing additional transaction-based fees, given that ICANN org does not expect significant additional cost-contributing activities related to transactions.

If the resources required to maintain the PP Accreditation Program are less than anticipated, ICANN org could consider reducing the fee in the future.

