

Transcription ICANN Durban Meeting
FY14 Operating Plan and Budget
Sunday 14 July 2013 at 10:30 local time

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Man: For the recording this will be the operating plan and budget going from - scheduled 10:30 am to 11:00 am.

Mason Cole: All right, thank you very much. We're joined by Xavier Calvez from ICANN's financial team. And he's going to open up with a brief presentation and then be available for questions. So over to you, Xavier.

Xavier Calvez: Thank you, Mason. Thank you very much for the opportunity to come before you and be able to interact with the GNSO here.

I will be very brief on opening remarks relative to the budget providing a bit of a status and then I'm hoping we can have an interactive session off of question and answers on the more specific aspects that your group is interested in relative to the budget.

So we are here mid-July - the 14th of July, by the way and the French people are very happy about it. But that's not yet as approved as I think all of you know.

We have determined with the Board in Durban - sorry, in Beijing - that we would plan for the approval of the budget later than the usual timing of the second half of June so as to allow ourselves to have interactions relative to the budget during the ICANN meeting that, as all of you knew, was scheduled for mid-July.

So we don't yet have an approved budget. We've been finalizing basically with the BFC - with the Finance Committee last Saturday - yesterday, I guess, no, sorry, two days ago on Friday - I lost track of time - the overall main parts of the budget.

And we will be presenting that information in a little bit more detail during the finance session, the open planning session at 11:00 am on Wednesday. There's been a relatively limited number of changes versus the published version of the budget that was published on May 10 - May 10, sorry, for if my memory serves me right - for the public comment process.

The public comments were closed on the 21st of June. We have provided an answer and put on the public comment site an answer to those comments on July 5. I'm hoping that some of you have been able to take a quick look at them.

And we will be collecting further comments during the session on Wednesday relative to the finalized version of the budget so that then the BFC and the Board can provide a final approval to that budget.

I'll leave it at that for now. We'd like to make sure we have time for questions that are on what I just presented or on specific items that are of interest to the GNSO as part of the budget presuming that I have all the details in my mind to be able to answer those questions. So any questions.

Mason Cole: Okay thank you, Xavier. Questions from the floor, councilors or otherwise?

Xavier Calvez: They want me to help you and get on time.

Wolf-Ulrich Knoben: Thank you, Xavier. See, I have - first small question is around, you know, you have a lot of outreach activities coming on and so we have all those target base different kind of meetings this year especially with the so-called intercessional meeting between regular meetings, ICANN meetings, you know. We have that meeting in - earlier this year in Los Angeles, yeah, and that was also the registrar meetings and so on.

Is there - since that meeting, the international was a - the first time that meeting - is it in your plan for the FY'14 plan as well to cover such meetings? Yes, that's my first question.

Xavier Calvez: So I will make a general comment first. Thank God it's not my plans that we are conducting, that we're financing in ICANN. What I really mean by that is I'm not directing what the content of the budget should be, right. And you should be thankful for that because of course I don't have the in depth knowledge of all the activities that need to be carried out and the supporting staff across the organizations or (unintelligible).

So relative to the intercessional as you pointed out last year the intercessional - or last fiscal year, this past January, the intercessional was a pilot exercise. I don't believe that it's been re-conducted for this fiscal year. There's been a number of requests from a number of organizations for different types of meetings, not necessarily an intercessional as it was designed and conducted last year.

It doesn't mean that it could not happen again in the future but that's not been part of the plans and the expressed interests did not include an intercessional this year as far as I understand.

Mason Cole: Brian.

Brian Winterfeldt: Brian Winterfeldt, Intellectual Property Constituency. Thank you for coming, Xavier, today to talk to us. I wanted to find out when we might expect to find out about funding requests that the Intellectual Property Constituency and I guess other constituencies have made? I know we're waiting on a few important budget items and for planning purposes it would be very helpful.

Xavier Calvez: Yes and I should have included in my earlier presentation that the - as it relates to those specific requests, not just from the GNSO organizations but also from everyone else, the process has been the same for me to make sure that the BFC is - the Finance Committee of the Board is provided with the suggested answers to those requests. And that's been the case on Friday. So we now have a path forward with a direction from the BFC on that.

We will then publish these recommendations presuming that they would be approved by the Board. We will publish those recommendations along with the approval by the Board of the budget.

And we're planning this to be in the next few weeks right after Durban once we will have received comments on the overall budget, not just, of course, on the requests but on the overall budget, taken those comments into account and then finalizing the budget and we will provide the feedback on the requests at that same time.

Brian Winterfeldt: Great. Thank you so much.

Mason Cole: Chris Chaplow.

Chris Chaplow: Thank you. Chris Chaplow from the BC. Thanks for coming along. Actually you've almost answered my question. So if I can just clarify that? You said the Board Finance Committee met last Friday, they will then obviously recommend to the Board meeting this coming Thursday. The results of that

will sort of whiz up the screen so we can't see them and then in three weeks time the results of the SO/AC requests will be published.

Xavier Calvez: So it is not intended that there would be a Board vote on Thursday on the budget. For the purpose of ensuring that we can gather comments on the overall budget during the Durban meeting and not - and have sufficient time to be able to take those comments into account, amend if necessary the budget based on those comments and then finalize the budget once that's done.

So the resulting timing is, therefore, to not approve the budget in Durban on Thursday.

Chris Chaplow: And then - so it will be approved at the next Board meeting in a few week's time?

Xavier Calvez: Correct.

Mason Cole: Steve Metalitz.

Steve Metalitz: Thank you. Steve Metalitz with the Intellectual Property Constituency. I'll pick up on Chris's question. But I guess I would like to put it in this context. I think there's an extremely high level of dissatisfaction within the Commercial Stakeholder Group with how the budget process has been handled this year, and a lot of disappointment, frankly.

It was presented in an almost incomprehensible fashion. We did have some people who were able to devote a considerable amount of time to deciphering it and that was very helpful. It wasn't possible to make comments within the 21-day period. That was totally unrealistic.

The IPC did make its comments within the reply period. You published a response on July 5 that didn't address any of our concerns. You didn't even look at those comments that came in after the 21-day period evidently.

And now we're hearing that we're going to find out about I'd say at least 1/10 of the way through the fiscal year, maybe more than that, we'll find out for the first time whether our requests for support from ICANN for our operations such as for paid secretariat, which we desperately need, we're not even going to find out until well into the fiscal year whether that's even been granted. So the - and then of course we have to actually implement that even if those requests are granted.

I had really hoped for a better turn on this because, as you know, Xavier, we've worked very closely on budget issues over the years. And I just think to find ourselves already into the new fiscal year not knowing the levels of our support and also not getting - not having answers to the many questions that we raised in our comments - and not just us, the other constituencies in our stakeholder group raised very similar questions.

It's quite disappointing. And I just wonder whether you - I just really wanted to communicate to you that this is a strong feeling within our stakeholder group and asked if you have any plans to try to rectify this problem. Thank you.

Xavier Calvez: So talk about rectifying the facts. Thank you for your comment. So the public comments that have been taken into account in the first version of the answers that we've provided on July 1, are those that have been provided up to the June 20 deadline.

The - so we do intend to have a second version of the responses coming later because some of the comments have been posted not by any of these organizations here, I think, but by other organizations after the deadline. And we still intend to try to address them as well. So we'll take a second pass at the comments.

I will relook again at the comments that have been provided to - sorry, at the responses that have been provided to the comments of your organization to ensure that we take a second pass at answering them if you feel that they have not been, which is what I understand. So we'll try to address that in the second pass.

But these comments have been looked at. I recognize that the answer is not (unintelligible) satisfactory to you and that's why I commit to relook at them again. But these comments have been looked at; they've not been ignored.

Regarding the process it is clear that the information that has been provided this year has a very different - a new format. And I think we've been extremely transparent as to the - and timely in indicating to the community that the format would change for what I believe is the better, which is a more granular, more comprehensive set of information.

I completely recognize and I know it's true and I know you're right that the information that's been provided is - can be considered as overwhelming because it's actually much more and in a different format.

And it is, as I think Chris pointed out, instead of 150 figures it's 600 figures. So, yes, it is more information. Yes, it is new. There was not a lot of notice and time to review it to the level of granularity that it provided because, basically, more information, not more time to review.

So I completely recognize the challenge that you're pointing out too, which is we have changed the format and we didn't have much more time to review it. And there's no - I will not try to find excuses for that. That's the reality.

We have determined transparently that we believe it was the right thing to do to produce the budget information as per the level of granularity and the structure of the (at task) system that we have been using in the corporation

since the end of the last calendar year because it does provide a better information to everyone, including the community, on what the organization does to the level of granularity of projects and programs as for which the budget data has been produced. And that's the new information.

Not providing that information would have, in my views, undermined the transparency and the granularity and the level of detail of information that's provided to the community, which is exactly the opposite of what everybody in this organization or others have requested from ICANN in the past very validly, in my view.

So providing that information was a challenging exercise but a required one, in my view. And I think based on the comments that I've received so far I think everyone is understanding and probably sharing your views that the information is challenging to absorb and analyze and we will need to make sure that in the future we have, as we've intended this past year but not managed to, that we have a much more interactive and earlier process of sharing that information.

We were not able - in the future. We were not able to do that this year for the reasons that this system has been implemented over - between the period between November and February. And therefore we've shared the information as soon as basically it was available.

We all knew that this process and the timing of that was not perfect this year. So I completely acknowledge the frustrations that you have. I think we can only take it from here and try to have a much better process next year which I'm expecting will happen because now that we have the system in place, now that it is updated on a daily and weekly basis by the staff we're not going to be constrained by the production of the data as we were this year.

Let me leave it at that to allow for more questions or comments on the subject.

Mason Cole: Tony.

Tony Holmes: Thank you. As chair of one of the other constituents in the Commercial Stakeholder Group I would like to add weight to the comments made by both Chris and Steve that the level of dissatisfaction is extremely high.

It has been a very challenging exercise. We've put a lot of effort into trying to understand the process, to work with the process and also to understand how the budget has been pulled together.

Despite that effort it really has defeated us. There are some parts of the budget where we just can not get underneath what has been covered and we have pretty large sums of money for some headline projects, which we have a part to play in. And we don't understand how those projects are being taken forward, what they embrace and what that budget build has actually constituted, what's is being built from the bottom up is wonderment.

For instance, outreach, the efforts with global outreach, which is pretty critical for all of us. And within our submissions we have made some plans for the constituencies to undertake outreach efforts as well. How those two things interrelate is very difficult to understand.

We went along with the process even as far as the Fast Track applications thinking that we needed to give ICANN as much time as possible, as much help, and also to help ourselves to get some things resolved.

Nothing came of that. We're now at the stage where we're really working totally blind, we don't know what budget we have going forward and as Steve mentioned, we're pretty well down the track now on that as well.

And we are in a position having listened to the way the process is going to unfold and the dates, we're going to be even further ahead before we actually understand the budget that's been allocated for those submissions.

If we get to the stage where we find that we have not made the cut on some of those budget issues or that some of the requests we've made have been covered in other parts of the budget it's going to take another period of time for us to reorganize our actions to revamp our plans to take account of that.

So we're losing time all the way through this process despite trying to engage. And it really isn't helpful at this stage. I'm aware we can't turn the clock back. But there really is a feeling of dissatisfaction that the budget - and the budget build really hasn't helped us. It's actually hindered us in moving forward with some of the plans we need to put in place between now and the next meeting and future ICANN meetings as well.

Xavier Calvez: So I need to take the opportunity of your comment to also address Steve's comments and questions relative to the request because I hadn't done that earlier so I will do it at the same time that is concerning your points.

Can you clarify, Tony, what you mean by we don't know what happened with the Fast Track requests?

Tony Holmes: Well...

((Crosstalk))

Tony Holmes: ...you went through a process of evaluating those Fast Track inputs.

Xavier Calvez: Right.

Tony Holmes: But some of them, obviously, we're resolved in that Fast Track period. They were left until later which is fine providing when we get to the next stage of submissions we get the answers within a reasonable timeframe.

So from our perspective we put the effort in to give you early information, we accept the decision that they can't be resolved in a Fast Track period. But it isn't helpful then when this extended period follows on after and we still haven't got answers on the submissions we've made.

Xavier Calvez: Understood. Sorry, I think I understand a bit better. So you're referring to those requests that were formulated as part of the Fast Track process but that - to the content really related to the entire year and therefore did not originally belong to the Fast Track process.

Tony Holmes: That's right. And I really didn't want to focus too much on the Fast Track aspect because that's just an example of one element where we feel a level of frustration. But it's built up from there./

Xavier Calvez: Understood. Just - I'm only focusing on that because that's the part of what you said that I did not understand. So the Fast Track process was built to try to help have an early answer to requests that pertained early in the year of the next fiscal year coming up so basically the first - sorry, four months of the year basically in order to have an early answer to those.

So what we have found out when receiving those Fast Track requests is that some of those requests, as you've understood and commented on, were pertaining to the entire set of the year and which, therefore, did not qualify to the Fast Track.

So basically what I'm hearing from you is that the Fast Track is - has created disruption in the timing of approval of all the requests including those that don't belong to the Fast Track and therefore delaying the answers to those

requests and that's more harmful than helpful if I understand correctly what you said. Is that correct?

Tony Holmes: Yes. But the Fast Track is really just a small element of where we currently stand. I mean, I think we've moved past that. I use that as an example of how we've seen the current process hasn't really helped us.

Xavier Calvez: Okay and I think the second comment on the requests generally speaking is that the timing of the budget approval this year originally scheduled for happening in Durban obviously delays by basically three weeks, let's say, the communication of those results.

So I recognize it's unhelpful. There's - the approach that we had retained originally was to communicate the decisions on the - all of their requests excluding Fast Track and that's already been communicated consistently with the meeting schedule, which this year, again, it happened three weeks later.

So of course just by retaining this approach we had delayed the communication of that information which I think was known by everyone. Honestly it's inherent to the schedule of the meeting.

Now what we could have done and did not decide to do collectively is to disconnect the communication of the - or the approval of the requests from the schedule of Durban, basically, to have those requests being reviewed by the - approved by the Board separately earlier therefore separately from the budget which the Board is relatively reluctant to do because they don't necessarily like to be - to approving spend without having the overall picture of the budget.

They've been willing and accepting the convenience of the Fast Track presuming that it's a convenience to basically review a very limited set of requests in Beijing - approve those without having an overall view of the

budget then as an exception I would say. So I'm fine looking in the future at an earlier communication process of the request.

Maybe all the requests earlier so that it's providing for the ability to know one way or the other (one and second) to implement earlier. I'm fine that we look at that improvement for the future.

Tony Holmes: Just on a comment on that if I may? If it's made explicitly clear early on that the early months of the year will be considered separately from the Fast Track - I don't think that was explicitly clear this year - that that would be helpful.

Xavier Calvez: I think it was very clear. We made it very clear several presentations. I specified July 1-October 31 several times on several calls. It was very clear and I have confirmed that with everyone. So I'm very surprised that you're finding that not clear.

Tony Holmes: But if you look at the Fast Track submissions I would suggest that the number of inputs to that process which didn't explicitly follow that information would indicate that message wasn't very well taken. Because there were a number of things that reflects back on that.

Wolf-Ulrich Knoben: Okay, Xavier, may I?

Tony Holmes: Xavier, just in conclusion, one of the key points I'd like to stress was I think a lot of our frustration also stems from the same point that Steve raised that the inputs that we gave you in terms of comments and the answers we got back really didn't clarify any - or very few of the issues that we raised. So I would ask you to have another look at that.

Xavier Calvez: And I definitely will. One thing that I want to clarify with you now on that so that I can understand better how far to go on that. You speak an example of the outreach program I think as part of the data that we've provided which is

the fairly aggregated level of information which basically says one amount that's, I think, in the \$5 million to \$6 million range, for one program.

If I understood correctly your point this level of information is insufficient to be able to - insufficient to be able to understand what's made of. It's...

Tony Holmes: Correct.

Xavier Calvez: Okay. So not specific to that point but I think that comment would apply to a member of the programs that were displayed in the data that's been provided. Right, so we have made a choice when deciding to use (at task) to use it for the budget process and to share it as part of the budget data to display the level of programs.

Under the programs there are projects. And I know that a number of the questions or the comments that have been formulated as part of the public comments would at least start to be addressed by us providing the level of the projects, not just the programs, which is the next level of aggregation.

So the intent has been originally to share only the programs. It is more and more clear to me that - and not just to me - that it will be better and helpful to share the level of projects in the future.

Just as a sense of relating to the comment that Steve made earlier, if we would have shared projects at this stage we would have had 3600 numbers to provide you guys to analyze, which I think would have been quite overwhelming - quite even more so overwhelming than what it had already has been.

So I think we're working together gradually through using (at task) and using the level of granularity of the information. I am pretty sure that we can find ways in the future to provide maybe still a level of aggregation of the program across all aspects and then maybe provide the project breakdown of certain

programs upon request, for example, that would help bend those people interested in that specific program to understand better about it to then get that information.

This is something that I think we can do. We have - we have not retained that approach this year not by not wanting to provide the information but because the usage and the structure of the data was so recent and so new that we were all still working through producing that information and didn't feel that it was yet - we were yet ready to provide an accurate information at the project level, which is why we provided the program level.

I think in the future providing the project level either for all programs or for selected number of programs will be helpful to everyone, you guys included of course.

Wolf-Ulrich Knoben: Okay, thank you. Tony, may I just end the dialogue right here because in the interest of time and we have other questions. I would like to give the floor to them. Xavier, I think you understand that there are concerns with the process and to take that and we have ideas about that and maybe we can also communicate and we should (unintelligible) direct line here.

So please have - I see Kristina and then Mikey. Are there any other additional questions? Very short ones, please.

Kristina Rosette: Thanks, Kristina Rosette, IPC President and obviously fully support everything that Tony and Steve have indicated. I would just encourage you based on our experience and the frustration that we had that there may be opportunities here to identify other mechanisms through which more information can be provided earlier on whether it's through a Webinar or whether it's kind of a pre-public comment period Q&A so that we are in a position to potentially provide our questions, get our answers and then provide comments - substantive comments on a budget as opposed to just a written question.

I think this is particularly important given that, you know, even if all of these current outreach efforts fail you are, by virtue of the new gTLD program, going to have at least another 1000 set of eyes on this budget.

And unlike my eyes, which are IP lawyer eyes, you're going to have Fortune 500 accountant eyes. And I think that that level of expertise I think it's just important that the budget be presented and organized in such a way that it can be a useful informational tool not only for the current community but the expected new entrants to the community.

And I think that there's - a happy medium has got to be there but I would just encourage you to find that. And to the extent that the IPC can be of any assistance from our non-budget, non-financial expert eyes we're happy to do that.

Wolf-Ulrich Knoblen: Before you answer can I put together the question from Mikey as well and then you answer? Mikey, please.

Mikey O'Connor: Mikey O'Connor, also from the ISP Constituency. I'm going to drag this way up out of the process thing. I think the process issue is - you've heard that - and talk at the business level, which is when I dug through this budget it reminded me sort of a start up - an overfunded start up company where the CEO was spending like a drunken sailor and he was building a bridge on a revenue estimate that was complete fantasy.

And we're okay for now. There's plenty of money in the bank and so on and so forth. But, you know, this is sort of directed to you, Susann. Put yourself back in your former career where you were looking at young companies and looking at the way they were run and understand that we don't have a strategic plan, we implemented a brand new operational management system sort of by slamming a coffee cup down on top of a loaf of bread.

We stuck our controller with that mess so much of the criticism that Xavier is taking today is not his fault. It's the way that that implementation was done. But the thing that - I don't even want to go back into that level of detail, I want you to realize that standing on the outside looking in on this as an entrepreneur in a much smaller scale, this budget doesn't add up.

Somewhere there has to be a giant pile of revenue injected into this future to cover the huge staff increases, these huge program increases worldwide, that I don't see. And I think, you know, we're probably all right for this year's budget. But next year looks really tough.

Wolf-Ulrich Knoben: Okay.

Susanna Bennett: Thank you, Mike, very much for your insight comments. And, absolutely, thank you for providing the team some background. As you know Xavier joined the organization about 18 months ago and to my understanding that with his responsible area he made really strides in the system area, in the process area and in the team area as well. But you're right, it takes time to fix all those. And together, Xavier and I are very, very committed.

And I appreciate the comments of the rest of the team here. And I understand the communication part is absolutely critical. Besides getting the numbers right of course the communication is absolutely critical and we'll have to focus on that. And thanks again or everyone's comments.

Wolf-Ulrich Knoben: Xavier, please.

Xavier Calvez: I will just add to what Susanna said one comment to what you were saying, Mikey, in a general - relatively general comment. I think that the points that you're raising - and there's more strategic or higher level points that can be and should be, honestly, discussed on the budget but on the operating plan as well, I think that we intend, with Susanna now on board, but it's not

necessarily new, to have a much more comprehensive strategic planning process and a more detailed strategic planning process.

Because I will share transparently an opinion that I've shared transparently in the past the strategic planning process that we had before is not a strategic planning process. It's a wish list of things to do. That's not planning. That's not strategic.

So there is much more that we need to do upstream from the budget process at the strategic level so that we are able to formulate action plans that deliver on that strategy that then result into a budget. The budget should be an outcome of a strategic planning process.

And we had the very high level strategic planning process, we had the budget but we didn't have anything in the middle. And we need to develop that because then I think the rationalization of what we spend, what revenues we're expecting on what basis will be much more clear.

I just want to have maybe a slight technical comment on where the revenues are coming from. We have - and I'm fine discussing that in more details with you if you would like.

The revenues for FY'14 are on the basis of the historical revenues per transaction and fix fees from registries, registrars and the various contributions and an inflow from revenue from new registries coming on board which is mirrored on the timing of the new gTLD program taking a little bit of margin in time where we've added basically a few weeks before - or maybe two months - before the registries are delegated into the root which is the beginning of the generation of the revenue.

So there is an assumption behind that I think is conservative on the basis of the current - current new gTLD release schedule.

You made the comment in the public comments that if the program would be significantly delayed that what do we do? And the response that we've provided hopefully was sufficiently clear is that there is a ramp - the ramp-up of revenues that assumed is also correlatively looking at a ramp up of expenses.

Of course all the - the increase of expenses are not taking in right in July, right or in August, they're over time. And therefore it provides us for the opportunity to shut down the pipe when - if we would see that the programs would be delayed or if the revenues would be lower. So we have levers to be able to do that like any company would do also.

I want to come back to Kristina's questions or comments. You pointed out to - can we have an earlier interaction on the budget. Those of the people who are in this room who were part of the budget improvement groups that met between July and October last year after Prague and until Toronto, have been working with us on a number of improvements.

The main outcome of those working groups was to design a process that had mirrored their interaction in a more frequent interaction on subset of data progressively throughout the year. And that's what the budget plan that we had issued in October last year in Toronto was assuming.

We had three different interactions with the community providing pieces of data along the road. So that was exactly what I think I understood from your suggestion.

We changed completely that process in the middle of the road when that task came in as per my conversation earlier with Steve and Tony. So that's the change of process that happened live, I would say, in the middle of the year.

My intention is that we go back to an interactive and earlier interactions with the community on the budget content using (at task), refining (at task), with

the level of granularity that's understandable on the various projects. That's the intent so that we do exactly that.

Thank you. Yes.

Wolf-Ulrich Knoben: Thank you very much, Xavier. Thank you. I think we come - Chuck.

Chuck Gomes: This will be very brief, Wolf, really. Chuck Gomes from the Registry Stakeholder Group. And this is reflected in our comments. I think one of the things that's really ironic about the frustration that people in this room have expressed today is the fact that you've heard me say many times that 95% of ICANN's revenue comes from GNSO sources, from fees paid by registrants of gTLDs.

And so I think it's really unfortunate that there can't be more responsiveness to GNSO needs. And having said that, many times and saying it again today, I do want to say that I'm optimistic that next year it's going to be a lot different. In fact it has to be a lot different. We won't have any excuses next year. And certainly there are a lot of us in this room that will help make that happen.

Wolf-Ulrich Knoben: Okay. I think...

((Crosstalk))

Wolf-Ulrich Knoben: Okay, thank you very much. So thank you very much and thank you, Xavier, for sharing this. And we come to a close of this session. And waiting for remote participation and closing down this session and waiting for the next one the technical assistance here. Thank you.

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