

**Statement of the Non-Commercial Stakeholders Group on the
Draft FY19 Operating Plan and Budget and Five-Year Operating Plan Update**

1. The Non-Commercial Stakeholders Group (NCSG) welcomes the opportunity to comment on ICANN's draft Operating Plan and Budget for fiscal year 2019. We have carefully reviewed ICANN's plans and proposals to understand the implications of the proposed cuts in particular, and we would like to provide structured feedback and suggested refinements that we believe deserve further consideration by ICANN. We have divided our comment into two parts; first, we offer comments of a general nature, then, we delve into specifics.
2. The NCSG represents the interests of non-commercial domain name registrants and end-users in the formulation of Domain Name System policy within the Generic Names Supporting Organisation. We are proud to have individual and organisational members in over 160 countries, and as a network of academics, Internet end-users, and civil society actors, we represent a broad cross-section of the global Internet community. Since our predecessor's inception in 1999 we have facilitated global academic and civil society engagement in support of ICANN's mission, stimulating an informed citizenry and building their understanding of relevant DNS policy issues. We believe our evidence-informed public interest-orientated contributions provide balance against state and market interests.
3. We wish to thank the Finance department, and in particular Xavier Calvez and Becky Nash, for their receptiveness to community input and for responding to the clarifying questions that were submitted by the members of the NCSG's constituencies. We also appreciate the greater level of detail that was present in this year's Budget documents and your punctuality in publishing this material five weeks earlier than in 2017.

General Comments

4. The NCSG takes seriously its responsibilities as a part of the Empowered Community. We understand that the Empowered Community has obtained veto power over ICANN's budget following the IANA transition. As a result, our Stakeholder Group has been very proactive in monitoring and participating in the FY19 budgetary process in order to meet our obligations to the non-commercial community, to our members, and to the broader ICANN community. It is very important to us that ICANN the organisation functions in the way the community has directed it to. Accordingly, we have carefully reviewed the proposed budget in order to understand what resources we have been allocated relative to other parts of the community, both to ensure parity and to ensure that we are fully accountable for the resources that we utilise. We have been unable to approximate the levels of financial support provided directly and indirectly to the various Supporting Organizations, Advisory Groups, and associated Stakeholder Groups and Constituencies. We have been advised by the Finance department that the organisation does not offer reporting with this level of granularity. We need to have this information in order to hold ourselves, and others, mutually accountable. In particular, we would like to know whether the GNSO is receiving an appropriate level of support which is equivalent or balanced in relation to what ICANN is extending to the ALAC, ASO, CCNSO, GAC, RSSAC, and the SSAC.

5. We remain extremely concerned that ICANN's income has stopped growing. From our conversations with the registrar community, they believe it will continue to trend downwards. As we noted in our December 2017 comment on the target level for ICANN's Reserve Fund, "We feel very strongly that the time is now for the organisation to reconsider unnecessary expenditure and to work to build a strong Reserve Fund that can support the organisation should income begin to decline."¹ We believe there are only five realistic avenues through which ICANN can mitigate a decrease in funding, and only one which we can endorse:

- Offset the reduction by cutting costs and focusing on core business areas relevant to ICANN's main mission (and to be clear, this is the only option that the NCSG supports);
- Using the budget contingency, presuming there is any left, as an offset to the funding reduction (however this is unpredictable);
- Take funds from the New gTLD Auction Proceeds fund (a fundamentally unsound practice, as these funds are supposed to be sequestered, and ICANN has said as much in legal filings²);
- Raid the Reserve Fund (this is a solution to 'buy time' and would not address the issue of a structural decrease in funding); or
- Raise fees on registries and registrars (an option we do not support because costs will then be passed on to registrants).

We strongly encourage ICANN to be more prudent in the projects and activities that it funds. We do not, however, want ICANN to be 'penny wise and pound foolish.' The organisation must tighten spending on unnecessary expenditure, limiting its spend to those activities that are central to ICANN's mission, but we neither support nor are we asking for the implementation of harsh austerity measures at the expense of good judgement. ICANN is not yet in such trouble that deep cuts to all services must be considered. We are concerned that the proposed budget seeks to impose unfair and harsh cuts on the volunteer community — cuts to our discretionary spending that supports our capacity building, outreach and inreach activities, community-initiated external engagement efforts, and other additional budgetary requests — that comprise only a small percentage of the overall budget. At the same time, we see no attempts to address the larger structural issues to do with growing personnel costs and an extraordinary spend on professional services. ICANN the multi-million dollar corporation, and not just the volunteer community, must feel the impact of this reduction in revenue.

6. ICANN's high dependency on a stream of fees directly related to the size of the DNS market is problematic. Other entities which deal with such dynamic markets tend to prefer to vaccinate themselves from the illusion of an endless source of income by developing a cost-based budget first, and justifying every year its budget to the providers of said income, instead of defending a cut of their business, as is the case today. From a consumer-protection perspective the NCSG remains concerned that this will result in higher costs to domain name registrants. We encourage ICANN to explore other avenues for growing and diversifying its

¹ See: <http://mm.icann.org/pipermail/comments-reserve-fund-12oct17/attachments/20171201/6b6dd376/NCSGComment-ReserveFund-0001.pdf>

² See page 16/17: <https://www.icann.org/en/system/files/files/litigation-ruby-glen-icann-answering-brief-30oct17-en.pdf>

regular income in a manner which does not adversely impact end-users and domain name registrants. This might include an accreditation programme for the various actors who wish to access the Next-Generation Registration Data Service, and/or it could include building business in presently untapped markets such as expanding the number of registries and registrars serving those regions and their users. These are mere suggestions and are not intended to be a comprehensive list of proposals for growing revenue.

Specific Comments

7. The organisation's headcount, and personnel costs, cannot continue to grow. We feel strongly that the proposal to grow headcount by 25 FTE to 425 FTE in a year where revenue has stagnated cannot be justified. As it stands, personnel costs of \$76.8 million comprise 56% of the \$138 million budget, and the growth here by \$7.3 million (11%) over FY18 is unconscionable. A further \$23.4 million, or 17% of the budget, is allocated to outside consultants, attorneys, and other "professional services." With 73% of the overall budget now being spent on staff and professional services, there is an urgent need to see this spend decrease over time. It is possible that some of this spend is a result of community requests; for instance, to support the IANA stewardship transition, or meeting transcription requests. We kindly request clarification as to precisely what kind of services fall into the professional services category. However, regardless of why the spend is the way it is, there is a need to stop the growth in the size of the staff, and to review staff salaries, bonuses, and fringe benefits.
8. We would like to see, at least in aggregate form, more information about ICANN's compensation structure, broken down by office location. We are under the impression that ICANN is a generous employer, and before we approve the budget we would like to understand whether the salary structure is too top-heavy or if the costs of hiring staff in certain locations is disproportionately expensive. We believe salaries at ICANN are relative to the location where one works, and given the majority of the organisation's workforce is in the United States, we wonder if having more personnel in the global South, in countries with lower costs of living, would see cost savings. This could have a secondary benefit in helping ensure that ICANN is viewed as representative of the diverse population it is trying to serve. We have attempted to calculate the average salary in FY19 and, assuming a headcount of 425 and the 20 members of the governing body (the basis for their inclusion being that while directors are not strictly speaking employees, they are paid), there are potentially 445 individuals sharing \$76.8 million, or \$172,600 each. This, of course, is a loaded rate and not a take-home salary for employees, but still meaningful because the fringe benefits that ICANN offers its staff are, we believe, high. In addition to health insurance, we understand ICANN pays its employees a 6% contribution to their 401(k) without requiring an employee contribution plus an additional 10% match with immediate vesting. We would like to see how ICANN salaries, including such contributions, compare against the industry standard.
9. We do not support the stabilisation in funding for constituency-supported travel. This suggests to the NCSG that the feedback we carefully prepared in consultation with our membership, and shared with ICANN as a part of the November 2017 consultation on the allocation of community resources, has not been actioned upon. [In our response](#) we said, "We believe there

should be a common travel policy for all ICANN funded travellers who are active participants in ICANN policy work, whether they be ICANN board members, ICANN senior management, or community members” and recommended “reasonable adjustments [be made] to the community travel guidelines to ensure that participants are able to travel to meetings at reasonable cost and in reasonable comfort.” Given the projected cost budgeted for each supported traveller for FY19 remains stable, it seems that ICANN has not sought to make modest and reasonable improvements to the travel guidelines to ensure supported travellers arrive at each ICANN public meeting able to work productively from day one. This is disappointing and will hinder non-commercial participation in ICANN processes, as our travellers will arrive at meetings jet-lagged and not at the top of their game, unlike stakeholders defending state or market interests. We also believe this to be inconsistent with recommendation 10.5 of the [Accountability and Transparency Review 2 report](#), accepted by the Board in 2014, which called for ICANN to “facilitate the equitable participation in applicable ICANN activities, of those ICANN stakeholders who lack the financial support of industry players.” As a proportion of the budget, community travel is a negligible expense, and the stable spend here will have a negative impact on our engagement and participation in ICANN’s public meetings and policy development processes.

10. We are troubled by the absence of references to the Community Regional Outreach Programme (CROP) in the FY19 Budget. We have subsequently learned that CROP has been discontinued. This is surprising to us, because in a comprehensive [2017 report](#), ICANN staff concluded, “It remains Staff’s view that CROP can be a useful tool for volunteer structures (e.g., Constituencies, RALOs) to develop and strengthen their stakeholder groups.” The ICANN website describes CROP as a “success” and a 2017 project funded through CROP, run by one of the NCSG’s member constituencies the Noncommercial Users Constituency, received a letter from the ICANN CEO praising its execution. It is the view of the NCSG that CROP has increased public participation in the multistakeholder model, it has widened ICANN’s international engagement efforts, and it has enhanced trust in ICANN as an institution at the national and sub-regional levels. On this basis, we ask that CROP return in FY19 at the FY18 level.
11. On a process front, we consider it unacceptable for ICANN to remove a core activity from the FY19 Budget without first notifying the community. In the multiple webinars on the Budget that our representatives attended, not once was the withdrawal of CROP voluntarily highlighted by ICANN staff, despite the significant impact that its removal will have on our volunteerism and community engagement. This is problematic in terms of process and transparency because, being unaware that CROP was being cut, the community was unable to submit additional budgetary requests for these very activities, as we had expected them to continue to be funded through the core budget as had been the case in FY18.
12. We support the rightsizing of the fellowship and NextGen programmes. We encourage ICANN to undertake a ‘fast track’ assessment of these programmes in terms of bringing active and productive contributors into ICANN’s policy development process working groups.
13. The NCSG expresses its appreciation, on behalf of its member constituencies, for ICANN’s past support in developing evergreen materials for our newcomers as a part of the pilot

community onboarding programme. This programme met a natural conclusion, fulfilling the objectives for why it was initiated, and we leave it with excellent deliverables that we believe will serve our new members well for years to come.

14. We are concerned that ICANN has allocated no resources for GDPR-related implementation work in FY19. The Compliance department does not appear to have been allocated funds for privacy compliance work, but since ICANN now recognizes its role as a controller, this is a required function. This suggests to us that ICANN plans to make the registrars pay for these activities, which may be an option when it comes to implementing a WHOIS solution that combines ICANN org's compliance with the law with ICANN org's contractual compliance with contracted parties, but we believe it will ultimately prove insufficient. In addition, we suspect that ICANN org still has internal issues that need to be resolved with respect to its own systems that will need to be brought into compliance with the GDPR.
15. The NCSG supports a multilingual Internet, and we want to see all cultures and linguistic groups represented in the domain name space. However, we are also cognisant of the low uptake of ICANN's language services and the high cost involved in delivering real-time interpretation. We therefore support ICANN in its efforts to focus translation and interpretation resources based on need. We would like to help ICANN identify these needs. During public meetings, we would like to request basic language support that is appropriate both for the region and for our members who will be active in those sessions. For instance, during our Constituency Day and outreach activities in Panama City, we would like to have Spanish interpretation available, as it would be useful to delegates attending the meeting locally, and to our broader membership, many of whom speak Spanish as their first language. However we would not need interpretation at these meetings into the other U.N. languages such as Arabic, Mandarin, and Russian. Similarly, we would encourage other community groups and ICANN org to optimise their use of translation and interpretation, even in the major tracks and high interest sessions. For printed materials, we support ICANN's proposed plans to translate executive summaries, and not necessarily entire documents, where that document is unlikely to have a large readership.
16. We strongly oppose ICANN's proposal to reduce the additional budgetary request envelope by two-thirds in FY19. This budgetary envelope was developed through a bottom-up process, and has developed into a major way to engage communities. The proposed reductions will inevitably result in important community requests for support not receiving funding and have a negative impact on the engagement of other members of the GNSO's constituencies, along with the ALAC. As we rely on the inputs, advice, and participation of the broader ICANN community, we foresee negative implications impacting our policy work.
17. We have engaged in extensive discussions with other parts of the ICANN community, and there is widespread confusion and concern as to the resources being allocated to global engagement activities. We ask that that ICANN review these activities to ensure that they are all closely aligned with ICANN's mission, and cut any and all that are not. We mention this because the continued allocation of resources here raises questions about the value proposition of this expenditure. It is very unclear to us, and to other parts of the ICANN community, as to how the GSE team uses their funds. We wonder what internal controls are in place to manage

their spending, how their projects are approved, how their targets are set, and how the community is consulted with regards to those activities? We wonder how they split their spending on projects between, for instance, sponsoring events, staff travel, stakeholder hospitality, and so forth? We would like to see justifications for this continued spend, both in terms of funding and headcount, with a particular focus on what tangible outcomes have been derived from ICANN's attendance at or sponsorship of these events. It is possible that ICANN's engagement at these fora is valuable, we would just like to understand how so, and whether this engagement could be accomplished with fewer staff attending than is the case at present. We acknowledge, however, that the larger Internet ecosystem has risks to ICANN's mission and activities, and so some external engagement is of course justifiable.

18. Given the level to which the ICANN Reserve Fund has been depleted, we believe ICANN must be more ambitious in its plans to replenish this fund. We believe the only way to do this is to cut costs and focus on activities central to ICANN's core mission.
19. It is very hard to understand from the budget how much ICANN spends on staff travel, but we suspect it is a sizeable figure which could be comfortably trimmed. As civil society, we believe it is extremely important for the ICANN MS model that we have good representation at ICANN meetings, and that our members are responsible with the funds they utilize for travel. Many of our members are putting many hours of work each week purely as volunteers, and they have no organization to top up travel expenses. We try to hold our members to high standards of transparency and accountability, and would appreciate the ability to compare our spending on travel to that of ICANN the organization. Better data on these costs would also help us understand the impact of our own usage of staff time
20. We request that ICANN evaluate the merits of the ICANN Academy programme and consider whether or not the costs associated with this initiative are reasonable and appropriate for a non-profit organisation, along with whether the participant mix is sufficiently multistakeholder, cross community, and diverse.
21. The NCSG feels very strongly that the ICANN community should not be the first group to be affected by drastic cuts to the budget; it is our view that budget cuts should happen at all levels, and the Board too should take steps to reduce the costs of its own operations. For instance, the travel of Board members to external events, particularly outside of the region in which he or she lives, should be curtailed unless there is a clear role and speaking opportunity for said Board member.
22. We would like to better understand where in the organisation staff members and consultants are placed. For instance, how many staff and consultants are supporting MSSSI activities, and how does this compare with the resources allocated to supporting GNSO Policy Development Process activities? For instance, how many staff and consultants are supporting the RDS Review team, and how does this compare to the RDS PDP WG? We would like to understand the rationale for these kinds of staff allocation decisions, which are not transparent to us because we have no idea as to what staff workload/priorities/deliverables are.

Conclusion

24. Thank you again for opening this conversation up to the community. We are grateful to ICANN for this opportunity to share our perspectives on this important issue, and we trust you will find our recommendations helpful. Finally, the NCSG would be happy to participate in a webinar with the Finance team to answer any clarifying questions that you may have regarding the contents of this document.