

Milestone Report

Applicant Support

New generic Top-Level Domain Program

Prepared by: Joint SO/AC Working Group

Date: 11 November 2010

THIS DOCUMENT

This is the Milestone Report produced by the Joint SO/AC New gTLD Applicant Support Working Group. The main objective of this Working Group is to develop a sustainable approach in providing support to applicants requiring assistance in applying for and operating new gTLDs Registries.

This Report is submitted for consideration to the ICANN Board and ICANN community. The Working Group met the initial goals and milestones outlined in its original Charter. This Report also contains a series of pre-identified additional work for consideration by the Chartering Organizations. If approved, a new/updated Charter will be issued to allow for this, or a new Working Group to advance and complete this important work.

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1. Background

During the International ICANN Meeting in Nairobi, ICANN's Board recognized the importance of an inclusive New gTLD Program and issued a Resolution (#20)¹ requesting ICANN stakeholders...

"...to develop a sustainable approach to providing support to applicants requiring assistance in applying for and operating new gTLDs."

In direct response to this Board Resolution, the Generic Names Supporting Organizations (GNSO) Council proposed a Joint Working Group composed of members of ICANN's Supporting Organizations (SOs) and Advisory Committees (ACs)², to look into ways to develop support for new gTLDs applicants. The Working Group, also known as the **JAS WG or WG** (referred hereafter as **WG**), was formed in late April 2010.

A snapshot with initial recommendations was released for community review in June 2010. The proposals were reworked in light of the comments received at that time. Subsequently, a second snapshot was released to ICANN's Board³ and the chartering organizations before this Milestone Report was finalized.

This Milestone Report incorporates the feedback received from the general public and other consultations. In summary, the recommendations encompass the following:

- Cost reduction (evaluation fee and Registry fee modifications);
- Sponsorship and fundraising (ICANN-sourced and external financial assistance);
- Non-cost considerations (technical or logistical support).

Section 2 of this document outlines the specific recommendations. Section 4 (Next Steps) contains a list of pre-identified follow-on activities. During the time the WG

¹ See original resolution here: <http://www.icann.org/en/minutes/resolutions-12mar10-en.htm#20>

² See here ICANN's SOs and ACs: <http://www.icann.org/en/structure>

³ See here ICANN's Board: <http://www.icann.org/en/general/board.html>

was drafting this report, several community members and staff raised some clarification questions. Section 5 (FAQ) contains these questions and respective answers.

This Milestone Report is to be posted for a minimum of 30 days in the public forum and in the six United Nations languages⁴. The report will be simultaneously sent to the chartering organizations for review and approval.

1.1 Objectives and Process

Objectives

The objectives for this work were derived from the Nairobi ICANN Board Resolution #20, as further detailed by the GNSO Council resolution, to launch a joint SO/AC WG, and by the WG itself in a proposed Charter, subsequently addressed in Resolutions by the GNSO Council and the ALAC (At-Large Advisory Committee).

The main objective of this WG is to develop a sustainable approach to providing support to applicants requiring assistance in applying for and operating new gTLD Registries.

Process Background

Initially, two Working Teams were established and worked in parallel:

- Working Team 1 (**WT1**) focused on application fee aspects;
- Working Team 2 (**WT2**) addressed issues regarding which applicants should be entitled to special support and of what nature that support could be.

The WG consulted the Community and general public as follows:

- On June 14 - posted a blog entitled “*Call for Input: Support for New gTLD Applicants*”⁵;

⁴ The 6 UN languages are: English, Spanish, French, Chinese, Arabic and Russian.

⁵ See blog here: <http://blog.icann.org/2010/06/call-for-input-support-for-new-gtld-applicants/>

- On June 16 - posted preliminary findings for public comment in six languages – *“Joint SO/AC Working Group on New gTLD Applicant Support Snapshot”*⁶
This public forum closed on 23 August, 2010;
- On June 23 - during the ICANN Brussels Meeting, held a public workshop *“Reducing Barriers to New gTLD Creation in Developing Regions”*⁷;
- On September 18 - submitted a second snapshot of the recommendations to the ICANN Board⁸ and the two chartering organizations, ALAC and GNSO.

The recommendations presented in this report should be taken into account by ICANN and the New gTLD Program to enable applicants from emerging markets/nations that meet the established criteria to participate in the first round of the New gTLD Program applications. This Report also contains: recommendations on criteria and limitations on aid; FAQ; and a set of critical pre-identified follow up activities.

Additional background information regarding this WG, including its Charter, relevant Board Resolutions and public comments summary and analysis can be found in *Annexes A to C*.

1.2 Standards of Agreement in the Working Group

The WG followed specific guidelines⁹ to demonstrate the various levels of views and conclusions in this Report. The following was used throughout the document:

- i. **Unanimous or full consensus**, when no one in the group speaks against the recommendation in its last readings;

⁶ See: <http://www.icann.org/en/public-comment/#wg-snapshot>

⁷ See: <http://brussels38.icann.org/node/12503>

⁸ Second snapshot was produced for a Board special retreat focusing on the New gTLD Program.

⁹ See detailed guidelines here: <http://gnso.icann.org/en/improvements/proposed-working-group-guidelines-05feb09-en.pdf>

- ii. **Rough or near consensus** - a position where only a small minority disagrees but most agree. This is sometimes referred to as **consensus**;
- iii. **Strong support but significant opposition** - a position where while most of the group supports a recommendation, there are a significant number of those who do not support it;
- iv. **No consensus**, also referred to as **divergence** - a position where there is not a strong support for any particular position, but many different points of view. Sometimes this is due to irreconcilable differences of opinion and sometimes it is due to the fact that no one has a particularly strong or convincing viewpoint, but the members of the group agree that it is worth listing the issue in the report nonetheless;
- v. **Minority** refers to a proposal where a small number of people support the recommendation. This can happen in response to a **Consensus**, **Strong Support but Significant Opposition**, and **No Consensus**, or can happen in cases where there is neither support nor opposition to suggestion made by a small number of individuals.

In cases of **Consensus**, **Strong Support but Significant Opposition**, and **No Consensus**, an effort is made to document that variance in viewpoints and to present any **Minority** recommendations that may have been made. The documentation of **Minority** recommendation normally depends on text offered by the proponent.

1.3 Records and Archives

The email archives can be found at: <http://forum.icann.org/lists/gnso-irtp-b-jun09/>.

The Wiki can be found at: <https://st.icann.org/so-ac-new-gtld-wg/index.cgi>.

1.4 Glossary

New gTLD Program

The New gTLD program is an initiative that will enable the introduction of new gTLDs (including both ASCII and IDN) into the domain name space.

Registry

The "Registry" is the authoritative, master database of all domain names registered in each Top Level Domain. The registry operator keeps the master database and also generates the "zone file" which allows computers to route Internet traffic to and from top-level domains anywhere in the world. Internet users don't interact directly with the registry operator; users can register names in TLDs including .biz, .com, .info, .net, .name, .org by using an ICANN-Accredited Registrar.

Registrar

Domain names ending with .aero, .biz, .com, .coop, .info, .museum, .name, .net, .org, and .pro can be registered through many different companies (known as "registrars") that compete with one another. A listing of these companies appears in the [Accredited Registrar Directory](#).

The registrar you choose will ask you to provide various contact and technical information that makes up the registration. The registrar will then keep records of the contact information and submit the technical information to a central directory known as the "registry." This registry provides other computers on the Internet the information necessary to send you e-mail or to find your web site. You will also be required to enter a registration contract with the registrar, which sets forth the terms under which your registration is accepted and will be maintained.

Applicant

An entity that has applied to ICANN for a new gTLD by submitting its application form through the online application system.

Evaluation Fees

The fee due from each applicant to obtain consideration of its application. The evaluation fee consists of a deposit and final payment per application. A deposit allows the applicant access to the secure online application system.

Registry Fees

Under the ICANN Registry Agreement, there are two fees: a fixed fee per calendar quarter and a transaction fee on future domain registrations and renewals. These fees are primarily intended to cover ICANN's recurring costs for Registry contract management.

Support Development Program is the program being generally proposed in this Milestone Report. It is not to be confused with the New gTLD Program.

IDNs

IDN stands for Internationalized Domain Name. IDNs are domain names represented by local language characters, or letter equivalents. These domain names could contain characters with diacritical marks (accents) as required by many European languages, or characters from non-Latin scripts (for example, Arabic or Chinese). IDNs make the domain name label as it is displayed and viewed by the end user different from that transmitted in the DNS. To avoid confusion the following terminology is used: The A-label is what is transmitted in the DNS protocol and this is the ASCII-compatible (ACE) form of an IDNA string; for example "xn--11b5bs1di". The U-label is what should be displayed to the user and is the representation of the Internationalized Domain Name (IDN) in Unicode.

New gTLDs

gTLD stands for generic Top-Level Domain. A gTLD is part of the Internet's global addressing system or Domain Name System (DNS). The term “gTLD” refers to the specific suffixes which appear at the end of Internet addresses and are used to route traffic through the Internet. There are different types of top-level domains, which help to identify specific types of organizations, associations or activities (see [RFC 1591](https://www.rfc-editor.org/rfc/rfc1591)). Some gTLDs, such as .com or .info, are intended for general use. Others are intended for use by a specific community - such as .COOP for cooperative organizations. A complete list of existing gTLDs is available at <http://www.iana.org/domains/root/db/> .

Languages and Scripts

Scripts are a collection of symbols used for writing a language. There are three basic kinds of scripts. Alphabetic (Arabic, Cyrillic, Latin) has individual elements termed letters. Ideographic (Chinese) has elements that are ideographs. Syllabary (Hangeul) has individual elements that represent syllables. The writing systems of most languages use only one script but there are exceptions. For example, Japanese, uses four different scripts representing all three categories. Scripts that do not appear in the Unicode code chart are completely unavailable for inclusion in IDNs.

Developing Countries; Emerging Markets/Nations

These terms are often used in this Report. The WG has not adopted any specific classification and recommends using a classification that is internationally agreed upon, for example, G-77 or United Nations or World Bank classifications. The WG notes that these organizations might update their classifications from time to time. Also, the WG acknowledges that agencies that in the future participate in the *Support Development Program* as funding agencies might adopt their own classifications.

2. The Recommendations

The WG releases the following recommendations for approval by the Chartering organizations.

2.1 Kinds of Support that Should be Offered

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

- a. Cost reduction support;
- b. Sponsorship and other funding support;
- c. Modifications to the financial continued operation instrument obligation;
- d. Logistical support;
- e. Technical support for applicants in operating or qualifying to operate a gTLD;
- f. Exception to the rules requiring separation of the Registry and Registrar function.

2.2 Cost Reductions¹⁰

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

1. **Full consensus:** Waive the cost of Program Development¹¹ (US\$26,000) for applicants meeting the criteria for assistance. The US\$26,000 is not part of the implementation budget, but rather to reserve repayment of previously budgeted funds. The WG expects relatively few applicants (relative to the

¹⁰ The fees and refund referenced can be found on the Draft Applicant Guidebook, version 4, section 1.5.1 - <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-28may10-en.pdf>

¹¹ This program development is period/phase identified for the development of the actual New gTLD Program. It is not the same as the program development recommended later in this document.

total number of new gTLD applicants) to meet the criteria for assistance, so the financial burden of waiving these fees should be reasonable.

2. **Full consensus**: 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 (perhaps following the refund schedule in reverse). Allowing an applicant to have a staggered fee payment schedule gives the applicant more time to raise money, and investors will be more likely to back an application that passes the initial evaluation. Staggered fees enable an applicant to compete for strings that might otherwise have gone to the first and/or only group with enough money to apply. If the applicant does not proceed through the entire process, they are not "costing" ICANN the full projected amount, therefore cost recovery remains intact.

3. **Full consensus**: Auction Proceeds. Qualified applicants receive a partial refund from any auction proceeds - for which they can repay any loans or invest into their registry, and/or the auction proceeds could be used to refill the disadvantaged applicant's foundation fund for subsequent rounds.

4. **Full consensus**: Lower the Registry fixed fees that are due to ICANN. In lieu of the Registry-Level fixed fee of US\$25,000 per calendar year, only charge the Registry-Level Transaction Fee per initial or renewal domain name registration to a fee comparable to a minimum used for other gTLDs. An annual fee of US\$25,000 to ICANN is a barrier to sustainability for an applicant representing a small community. If a minimum is absolutely required, then lower this fee to 30% for qualified applicants.

5. **Full consensus**: Reconsider the Risk/Contingency cost per applicant (US\$60,000). The Working Group questions if ICANN really expects a total of US\$30,000,000 (US\$60,000 x 500 applications) in unknown costs to surface. This fee should be eliminated for applicants that meet the criteria established by the WG. If elimination is not possible, then it should be drastically reduced.

6. **Consensus**: The US\$100,000 base cost to be reviewed in order to determine if any reductions could be made available to suitable applicants in need.

2.2.1 Support for Build-out in Underserved Languages and Scripts

Subject to the requirements for receiving support from the program, the WG had **Consensus** that price reductions should be implemented to encourage the build out of Internationalized Domain Names (IDNs) in small or underserved languages, with the exact amount and timing of the support to be determined. One way this might be accomplished is through bundling of applications.

a) There was **Consensus** for requiring that each application requesting such support have explicit endorsement from within the language community to be served. This support must come from organizations, NGOs and/or local companies from within the language/script community. The lead applicant would not, necessarily, need to be from the community to be served assuming other conditions for support were met.

b) There was a **Minority View** that applicants who may not meet the need requirement for support but who have explicit endorsement from within the language community to be served should also be able to receive some form of support, for example bundling discounts, in order to offer these services to the underserved language/script community. This community endorsement must come from organizations, Non Governmental Organizations (NGOs) and/or local companies from within the language/script community.

There was **Full Consensus** that this form of support should encourage the advancement of the language community while also encouraging competition to the greatest extent possible.

2.3 Sponsorship/Fundraising

The WG discussed extensively the possibility of financial assistance for applicants, which are seen as coming from two types of sources:

- Funds distributed by an ICANN originated fund;
- Funds distributed by external funding agencies.

2.3.1 Distributed by an ICANN Originated (Development) Fund

It is uncertain at this time what sort of funding might be arranged through ICANN, especially for this first round. There is **Consensus** in the WG to recommend that a fundraising effort is established. For any funding provided through ICANN by a benefactor that does not wish to administer that funding itself, these funds would be allocated by a specially dedicated committee, and only to those who meet the conditions established for support. Additionally, if there was not enough funding to distribute to all applicants eligible for financial support, that funding would be distributed with a priority given to linguistic community applicants applying for IDN strings. There was **Full Consensus** for creating a development fund directed at new gTLD applicants who were determined as meeting the criteria established for support.

- a) There was **Consensus** that ICANN establishes a *Support Program Development* function with an initial goal of securing a targeted commitment originally set at US\$10,000,000 for an ICANN based development fund. There was **No Consensus** on what form such a function should take. Some members of the group felt that the fundraising and grant administration work should be done outside of ICANN itself in an affiliated philanthropic organization.
- b) There was **Full Consensus** on the fact that any monies raised for a development fund would need to be maintained in accounts that should be separated from any ICANN general funds, and should be treated in a similar way to any monies that are to be collected in auctions; i.e. the

money should be administered by a foundation or other entity separated from ICANN designated for philanthropic distribution.

- c) There was **Consensus** for a proposal recommending that Registrars put in place the means for existing Registrants to make voluntary contributions to the *Support Program Development* through Registrar-to-Registry contribution pass-through, and to find ways of enabling non-registrant small donors to contribute. Concurrent with the execution of the development message to the donor communities, the development message should also be delivered to the Registrant, and non-Registrant user communities through internal and external media.
- There was a **Minority** concern about the degree to which Registrars would be open to this suggestion and the manner of its implementation.

2.3.2 Distributed by External Funding Agencies

There is **Full consensus** for the view that external funding agencies would make grants according to their own requirements and goals. ICANN would only provide those agencies with applicant information of those who met the criteria established for support.

2.4 Modifications to the Financial Continued Operation Instrument Obligation

While Registrant protection is critical and critical Registry functions must be sustained for an extended period of time in the event of registry failure, the WG considered the Financial Continued Operation Instrument Obligation¹² to be a great

¹² Specifics about the Financial Instrument requirement referenced here can be found on the Draft Applicant Guidebook, version 4 <http://www.icann.org/en/topics/new-gtlds/draft-rfp-clean-28may10-en.pdf> and <http://www.icann.org/en/topics/new-gtlds/draft-evaluation-criteria-clean-28may10-en.pdf>

barrier for applicants that meet the criteria established herein. There was **Consensus** for a recommendation that the continuity period for the financial instrument be reduced to 6 - 12 months.

2.5 Logistical Support

The process set out in the Applicant Guidebook may be difficult for applicants from emerging markets/nations to meet. The following kinds of logistical support are identified by the WG for those applicants that meet the criteria established for support:

- a) **Full Consensus**: Translation of relevant documents. This was a major concern noted by non-English speaking group members, who noted the extra time and effort needed to work in English;
- b) **Full Consensus**: Logistical and technical help with the application process. This includes legal and filing support, which is expensive and in short supply in most emerging markets/nations;
- c) **Full Consensus**: Awareness/outreach efforts. This includes efforts to make sure more people in underserved markets are aware of the New gTLD Program and what they can do to participate in it.

2.6 Technical Support for Applicants in Operating or Qualifying to Operate a gTLD

Certain requirements set in the Applicant Guidebook may be difficult for applicants from emerging markets/nations to meet. The following kinds of technical support are identified for those applicants that meet the criteria established for support:

- a) **Full Consensus**: Infrastructure for providing support for IPv6 compatible solutions, e.g. hardware and networks as needed;

- b) **Full Consensus**: Education/consulting, e.g. to help with DNSSEC implementation;
- c) **Full Consensus**: Technical waivers or “step ups” – allowing applicants to build their capabilities rather than needing to demonstrate full capacity before applying (as appropriate);
- d) There were several recommendations that involve lower cost and/or shared Backend Registry Services:
 - i. There has been discussion within the WG that in the case of shared risk pools¹³ of new gTLDs working with the same Backend Registry Service Providers, it would be possible to lower the costs facing the new Registry. It is a **Consensus** recommendation that there be an effort to encourage and enable those applicants that meet the criteria established for support to participate in such shared risk pools.
 - ii. It is a **Consensus** recommendation that in the case of such shared risk pools, certain required costs such as the Financial Continued Operations Instrument be lowered or eliminated entirely based on the ability of such a shared pool to absorb the risk with minimal incremental costs.
 - iii. There was **Consensus** that applicants who meet the conditions for support should be encouraged to form such shared risk pools.

2.7 Exception to the Rules Requiring Separation of the Registry and Registrar Functions

There was **Consensus** that in cases where market power is not an issue, applicants who met the requirements for support would be granted a special exemption from

¹³ A shared risk pool refers to a group of applicants who meet the criteria established for assistance and work cooperatively with each other in establishing their Registries. The idea includes the notion that both, costs and risks, would be lower if such arrangement exists.

the requirement for Registry-Registrar separation. This special exemption could be reviewed after 5 years. During the period of exemption, the ICANN compliance department/function would, at its own discretion, review to insure that the exemption was not being abused. This recommendation takes into account the advice given by the Government Advisory Committee (GAC) to the ICANN Board on 23 September 2010¹⁴.

“...the ability of registrars with valuable technical, commercial and relevant local expertise and experience to enter the domain names market could likely lead to benefits in terms of enhancing competition and promoting innovation.

An important additional benefit which the GAC expects would flow from such an exemption would be that community-based TLD applicants would be able to cast their net more widely in securing partners with the necessary expertise and experience in the local market to undertake what would be relatively small scale registry functions.”

2.8 Applicants Entitled To Receive Support

Note: *The definition of financial need and the method for determining the financial need of an application has not been established by the WG and is proposed as a work item in the Next Steps section (section 0) of this document. Progress on this work item depends upon support from the chartering organizations for the recommendations made in this report and the addition of experts on establishing financial need to the group.*

With this definition in mind, the WG agreed that the initial focus should be on finding a relatively limited and identifiable set of potential applicants that would be non-controversial to support.

¹⁴ Original GAC letter can be found here: <http://www.icann.org/en/correspondence/dryden-to-dengate-thrush-23sep10-en.pdf>

Full Consensus: The main criterion for eligibility should be need. An applicant would not be selected for support unless the need criterion is met.

Once applicants meet the initial need criterion, the WG recommends that the following categories of applicant receive support (*not in priority order*):

- **Full Consensus**: Community based applications such as cultural, linguistic and ethnic. These potential applicants have the benefits of being relatively well defined as groups. Facilitating community on the web is one of ICANN's Core Values¹⁵;
- **Full Consensus**: Non-governmental Organizations (NGOs), civil society and not-for-profit organizations;
- **Full Consensus**: Applicants located in emerging markets/nations;
- **Full Consensus**: Applications in languages whose presence on the web is limited;
- **Strong Support but significant opposition**: Local entrepreneurs, who otherwise meet other criteria in this section, in those markets where market constraints make normal business operations more difficult.

2.9 Applicants NOT Entitled To Receive Support

The applicants not recommended for support, even if demonstrating financial need, are the following:

- a) **Consensus**: in the group that should a ".brand TLD"¹⁶ category be defined by a future applicant process, such ".brand TLDs" are excluded from support as they should be self-supporting companies and thus not eligible for need based support.

¹⁵ See ICANN's Bylaws here: <http://www.icann.org/en/general/bylaws.htm>

¹⁶ .brand Top-Level Domain or brand TLD is not defined in the Applicant Guidebook. The market place has often referred to a .brand as a TLD that represents a company name, major product or service.

- There was a **Minority** view that an exception could be made for those applicants from countries where market constraints make normal business operations more difficult and who are proposing a name in an IDN script not currently supported.
- b) **Full Consensus**: for excluding applicants for Geographic names¹⁷;
- c) **Full Consensus**: for excluding purely Governmental or para-statal applicants (though applicants with some limited Government support might be eligible for exception);
- d) **Full Consensus**: for excluding applicants whose business models do not demonstrate sustainability.

There was **Full Consensus** that guidelines and safeguards must be established to prevent any abuse of the support program (often called gaming).

2.10 Proposed Constraints on Aid

The WG agreed and recommends a series of “principles” to guide the community as the support process is finalized:

- a) **Consensus**: Self-Financing Responsibility - The WG agreed on the need for self-financing responsibility on the part of any successful applicant for financial assistance. No more than 50% of the reduced fee may be provided by an ICANN organized Support Development Program. This is not meant to limit the manner in which fundraising for the other 50% is done by the applicant.
 - There was a **Minority** view that the level should not be fixed at any specific percentage.
- b) **Full Consensus**: Sunset Period - Support should have an agreed cut-off/sunset point, perhaps 5 years, after which no further support would be offered. This was

¹⁷ For specific regarding geographic names or geographic TLDs, see Applicant Guidebook 2.2.1.4.

recommended as another measure to promote sustainability and as a way to help limited resources reach more applicants.

- c) **Consensus**: Transparency - Support requests and levels of grant should be made public to encourage transparency.
- There was a **Minority** view that in certain cases the protection of business plans might be harmed by too much transparency.
- d) **Strong Support but Significant Opposition**: *Limited Government Support* - The receipt of limited support from government(s) should not disqualify applicants from receiving gTLD support. However, the process is not designed to subsidize government-led initiatives.
- There was **Strong Support but Significant Opposition** on limiting this exception to community applicants.
- e) **Full consensus**: Repayment in success cases - In those cases where supported gTLDs make revenue significantly above and beyond the level of support received through this process, recipients would agree to re-pay/rebate application subsidies into a revolving fund to support future applications.

2.11 Relationship to New gTLD Applicant Guidebook

Full Consensus: The WG believes that the recommendations presented in this Milestone Report should not affect the schedule of the New gTLD Applicant Guidebook, currently in its 4th version. Rather, a separate program needs to be established in parallel with the New gTLD Program and the completion of the (Final) Application Guidebook. The WG recommends that once the recommendations in this report are endorsed by the respective chartering organizations and ICANN's Board, that text is added to the (Final) Application Guidebook indicating that a *Support Development Program* will be announced before the start of the first round and that the conditions of this program are established and published separately.

3. Next Steps

Several work items are proposed as part of the set of recommendations made. Due to the time constraints, and in the interest in getting GNSO Council, ALAC and Board's endorsement for the basic recommendations, the following work items are proposed for further discussion by the current WG or another group. Most of these items require both policy and implementation input and it is recommended that a joint team of Staff and SO/AC members be created. This list of recommendations is also for consideration by the New gTLD Program implementation team and further input from the community.

- a) Establish the criteria for financial need and a method of demonstrating that need. The established tasks of this WG in its charter included establishing criteria for support. Financial need was established as the primary criterion for support. The group was not convinced that the charter included the more detailed task of defining financial need nor how this would be established by an applicant. The group was convinced, however, that as currently constituted it did not have the necessary expertise to make a specific recommendation in this area, especially given the comparative economic conditions and the cross-cultural aspects of this requirement. If the chartering organizations and the Board endorse the recommendations in this report, the WG requests that text be added to the next revision of the Application Guidebook that states that a separate aid program, including a fee reduction plan, will be initiated before the round opens, and that the conditions of this program will be defined separately. The planning work for this next effort is beginning as this milestone report is being submitted and the Working Group requests that its charter be extended to specifically include this task.
- b) Definition of mechanisms, e.g. a review committee be established operating under the set of guidelines established in this report and those defined in the task (a) above, for determining whether an application for special consideration is to be granted and what sort of help should be offered;

- c) Establishing relationships with any donor(s) who may be able to help in first round with funding;
- d) Establishing a framework for managing any auction income beyond costs for future rounds and ongoing assistance;
- e) Methods for coordinating the assistance, and discussions on the extent of such coordination, to be given by Backend Registry Service Providers; e.g. brokering the relationships, reviewing the operational quality of the relationship.
- f) Discuss and establish methods for coordinating any assistance volunteered by providers (consultants, translators, technicians, etc.); match services to qualified applicants; broker these relationships and review the operational quality of the relationship.
- g) Establish methods for coordinating cooperation among qualified applicants, and assistance volunteered by third parties.
- h) Begin the work of fundraising and establishing links to possible donor agencies.
- i) Review the basis of the US\$100,000 application base fee to determine its full origin and to determine what percentage of that fee could be waived for applicants.

The WG also wishes to acknowledge and appreciate the Board's Trondheim Resolution 2.2¹⁸ that appears to support the WG's recommendations for coordinating providers and recipients, and increased awareness and outreach efforts to needy applicants. However, the WG feels that with further work, as recommended above, more of the support mechanisms should be approved for implementation. The WG also indicates its willingness to keep working on these additional work items, though

¹⁸ Full text of this Board resolution can be found here: <http://www.icann.org/en/minutes/resolutions-25sep10-en.htm#2.2>

with the comment that additional outreach for members and/or advisors with specific expertise will need to be done once the re-chartering is completed.

4. Frequently Asked Questions (FAQ)

During the process of developing this report, various questions have been asked by the ICANN's community, staff and ICANN Board. Below are the main frequently asked questions.

4.1 Why these applicants cannot just wait until the next round?

There are several reasons the WG believes that it is critical that support be given to applicants with a financial need for assistance in the first round:

- Board Resolution 2010.03.12.46-47 clearly expressed the need to ensure that the New gTLD Program is inclusive. Much of the ICANN global community, particularly from developing regions, has raised its hopes and expectations with this decision.
- With every new gTLD application round, the market competitive disadvantage increases. ICANN should not cause or allow the New gTLD Program to further the gap in gTLD Registry representation from other regions. The diversity, competition and innovation the New gTLD Program could bring should be an opportunity to all around the world since the Internet is a global resource that belongs to all. ICANN has the obligation to look closely into this issue and fulfill its responsibility to serve the global public interest by allowing accessibility and competition for all around the world.
- There is no indication whether, in subsequent rounds, fees will be reduced

and, in case there is any reduction, by how much, therefore there is no benefit in waiting.

- Informal market research indicates there is built-up demand for new gTLDs, particularly IDN gTLDs. There is expectation for a considerable number of applications. One of the main concerns is that, without some sort of assistance program, the most obvious and valuable names (ASCII and IDNs), will be taken by wealthy investors. This may limit opportunities in developing regions, for local community institutions and developing country entrepreneurs. The majority of the current 21 New gTLD Registries are located in USA or Europe. There is one in Hong Kong and absolutely none in a developing country.
- While, per policy, ICANN plans for a second round, the timeline for this to happen is, at best, uncertain. Experiences from previous rounds add to the uncertainty. For example, ICANN communicated during the last round that this was to be followed soon by new rounds, nevertheless, it is taking almost a decade for a new round to materialize. Since ICANN cannot give guarantees and certainty of when future rounds will take place, making those who cannot afford to participate in the program during this round due to the current elevated fees is perceived as an unfair and non-inclusive treatment.
- New gTLD Policy Implementation **Guideline N:**
“ICANN may put in place a fee reduction scheme for gTLD applicants from economies classified by the UN as least developed.”¹⁹

¹⁹ The referenced Guideline is part of the New gTLD Program Policy developed by the GNSO that served as foundation to the New gTLD Program. The Policy text can be found here: <http://gnso.icann.org/issues/new-gtlds/pdp-dec05-fr-part-a-08aug07.htm>. This policy was finalized in September 2007 and approved by ICANN Board in June 2008.

4.2 Running a Registry can be expensive. If an applicant needs financial assistance for the application fees, how is this applicant going to be able to fund a Registry?

The ability to "fund a Registry" is not a neutral or objective criterion. For example, the cost of risk capital in places like New York and London for a speculative investment is qualitatively and quantifiably different from the cost in Central and South America, Africa, Asia, and much of Europe.

Additionally, experience has shown that successful Registry operations may begin with minimal capitalization – for instance, the marketing budget for .cat²⁰ was two thousand euros invested as printed bookmarks and distributed by retail bookshops, and in the second month of operation, with a non-exploitive Sunrise/Landrush, reflecting a competently drafted rights of others policy, the operation became profitable, and has remained profitable in every quarter subsequent. Past experiences have also shown that very high capitalization does not necessarily guarantee successful initial Registry operations.

Financial assistance during the pre-revenue period contributes to solving the pre-revenue cost problem for an applicant, lowering the cost to capital. As the cost of capital is significantly greater in the areas defined by the UN as emerging markets/nations, the absence of any program to level the playing field leaves the incumbents and their regional markets and interests with a significant advantage over qualified new entrants, their regional markets, and the interests of their users.

²⁰ .cat is a gTLD A complete listing of all current gTLD Registries can be found here: <http://www.icann.org/en/registries/listing.html>.

4.3 The New gTLD Program should be self-funding. If the proposed fee reductions are granted to the qualifying applicants with financial need, what happens to the goal of a self-funded Program?

The GNSO Implementation guideline was that the overall program be self-funding. The Policy guideline specifically reads:

“Application fees will be designed to ensure that adequate resources exist to cover the total cost to administer the new gTLD process. Application fees may differ for applicants.”

As discussed in the recommendations above, certain fees are inappropriate for applicants who meet the requirements of the program. The Policy guideline allows for differentiated fee structure as long as the total resources cover the entire cost of the program.

4.4 The solutions proposed by this WG are supposed to be sustainable. In what respect is this solution sustainable?

The recommendations in this program are meant to support the sustainability of costs for those who meet the requirements of the proposed program. Reduced fees enable a prospective Registry to enter the market and reduce the initial debt that would need to be met. In those cases of community gTLDs, where a community is either contributing to the expenses or is intended to reap benefit after the gTLD has been established, lower initial costs contribute not only to sustaining the operation of the gTLD, but also have the added benefit to lower the risk for the community.

4.5 How did the WG decide on the US\$10,000,000 proposed in section 2.3.1 a?

The US\$10,000,000 goal as proposed by this WG was subject to a thorough discussion. Several things need to be taken into account as outlined below.

- Assuming that no cost reductions are made for applicants who meet the conditions for support, then many applicants who meet the conditions of the program would need up to half of the US\$186,000 or US\$93,000. Assuming 10 applicants qualify for grant support, i.e. 5% of the expected 200 applicants; this would amount to needing approximately US\$1,000,000 in the fund. If 5% of 500 applicants, i.e. 25 applicants, need financial support it would be approximately US\$2,500,000. If the ratio of those needing aid is higher than 5% of the applicants, the figure goes up.
- Translation of all materials into the 6 UN languages and assisting with applications working in the languages, would occupy, at a minimum, 6 full time equivalent skilled translators for approximately a year. Taking a low estimation of the cost of such a skilled translator at US\$100,000 per year with the assumption of 100% overhead cost, the cost for translation assistance becomes approximately US\$1,200,000 per year.
- Assuming 1 full time person is assigned to manage the program development and 1 full time person assists in coordinating the work, both, with the same average salary of US\$100,000, another US\$400,000 per year is added to this estimated budget.

Taking the previous calculations into account, the estimates reach between US\$2.6 M and US\$4.0 M per year. These initial estimated costs should be added to the following: This initial estimate take into account, at a minimum, the following:

- Helping to create a possible financial guarantees for those who have difficulty with the Financial Continued Operation bond, if that requirements is not reduced or reconsidered for those for whom this might be a barrier to entry;
- Contracting various forms of technical assistance;
- Managing the cost and activities for educational outreach;
- Managing the costs for other forms of logistical assistance;

- Travel expenses for those providing aid as well as those who qualify for the support program.

Given these basic assumptions, and keeping in sight the goal that this program is designed to help those from developing countries as well as others who meet the defined requirements for support, a multiplier of 2-4 on the basic US\$2.6 M to US\$4.1 M figure for financial aid, translation and administration, the figure of US\$10,000,000 as a fundraising goal for such a program is, while an estimation, a reasonable and realistic figure.

5. Annex A – JAS WG Charter

Chartered objectives for the Working Group

(as adopted by the GNSO Council and ALAC)

Preamble: The Joint SO/AC Working Group on New gTLD Applicant Support shall evaluate and propose recommendations regarding specific support to new gTLD applicants in justified cases. The working group expects to identify suitable criteria for provision of such support, to identify suitable support forms and to identify potential providers of such support. However, there is no presumption that the outcome will imply any particular governing structure. Accordingly, if the recommendations indicate that the preferred solutions are of a voluntary nature, the criteria and other provisions arrived at in line with the objectives below will solely serve as advice to the parties concerned. The objectives are not listed in any priority order. An overall consideration is that the outcomes of the WG should not lead to delays of the New gTLD process.

Objective 1: To identify suitable criteria that new gTLD applicants must fulfill to qualify for dedicated support. The criteria may be different for different types of support identified in line with Objective 2 and 3 below.

Objective 2: To identify how the application fee can be reduced and/or subsidized to accommodate applicants that fulfill appropriate criteria to qualify for this benefit, in keeping with the principle of full cost recovery of the application process costs.

Objective 3: To identify what kinds of support (e.g. technical assistance, organizational assistance, financial assistance, fee reduction) and support timelines (e.g. support for the application period only, continuous support) are appropriate for new gTLD applicants fulfilling identified criteria.

Objective 4: To identify potential providers of the identified kinds of support as well as appropriate mechanisms to enable support provisioning.

Objective 5: To identify conditions and mechanisms required to minimize the risk of inappropriate access to support. Agreed within WG, pending GNSO Council and ALAC adoption.

Operating Procedures for the Working Group

The Working Group will operate according to the interim WG guidelines set out in the [Draft Working guidelines of 5 Feb 2010](#).

Key Milestones

Dates	Tasks/Goals
29 April	First conference call. Preparations for Chairs election, Charter drafting, work planning.
10 May	Adoption of WG Charter by participating SOs and ACs.
5 May - 9 June	Weekly conference calls. Drafting of Recommendation by WT1 and WT2.
June 14	Posted a blog entitled <i>"Call for Input: Support for New gTLD Applicants"</i>
16 June – 21 June	Posting of "snapshot" on WG's plans & progress for public comment in English.
23 June – 23 August	Posting of "snapshot" on WG's plans & progress for public comment in Spanish, French, Chinese, Arabic and Russian.
21-25 June	ICANN Brussels Meeting - Community discussions Public Session: <i>"Reducing Barriers to New gTLD Creation in Developing Regions"</i>
10 July	Bi-weekly conference calls for the development of Milestone Report taking into account public comments received and Board Sept 2010 Board Resolution.
 November	Milestone Report posted for consideration by the Board, Chartering Organizations and at-large Community.

6. Annex B - Relevant Resolutions

6.1 ICANN Board Resolution #20 – ICANN Nairobi Meeting

See: <http://www.icann.org/en/minutes/resolutions-12mar10-en.htm#20>

Whereas, the launch of the New gTLD Program will bring fundamental change to the marketplace, including competition and innovation;
Whereas, the evolution of relationships and restrictions on relationships between registries and registrars have been a center of discussion and analysis;
Whereas, the introduction of new gTLDs will bring change and opportunity for innovation, new services and benefits for users and registrants;
Whereas, ICANN aims to ensure that the New gTLD Program is inclusive, along the lines of the organization's strategic objectives;
Whereas, ICANN has a requirement to recover the costs of new gTLD applications and on-going services to new gTLDs; and
Whereas numerous stakeholders have, on various occasions, expressed concern about the cost of applying for new gTLDs, and suggested that these costs might hinder applicants requiring assistance, especially those from developing countries.
Resolved (2010.03.12.46), the Board recognizes the importance of an inclusive New gTLD Program.
Resolved (2010.03.12.47), the Board requests stakeholders to work through their SOs and ACs, and form a Working Group to develop a sustainable approach to providing support to applicants requiring assistance in applying for and operating new gTLDs.

6.2 GNSO Resolution to Launch a Joint SO/AC WG

See: <http://gnsso.icann.org/resolutions/#201004>

20100401-1 Motion to create a Joint SO/AC Working Group on New gTLD Applicant Support

Whereas, ICANN aims to ensure that the New gTLD Program is inclusive, along the lines of the organization's strategic objectives;
Whereas, numerous stakeholders have, on various occasions, expressed concern about the cost of applying and about the material requirements for new gTLDs, and suggested that these costs and material conditions might hinder applicants requiring assistance, especially those from developing regions, from cultural/linguistic groups and from non-profit groups such as philanthropies,
Whereas, on 13 March 2010, the ICANN Board adopted Resolution 20 (<http://www.icann.org/en/minutes/resolutions-12mar10-en.htm#20>) requesting that stakeholders work with their respective ACs and SOs to form a working group to provide a

sustainable approach to providing support to applicants requiring assistance in applying for and operating new gTLDs;

Whereas, the GNSO Council desires to form a joint working group with other interested Supporting Organizations (SO's) and Advisory Committee (AC's) to fulfill this Board request, and to develop a sustainable approach to providing support to such new GTLD applicants, keeping in mind the GNSO Implementation guideline to recover the cost of new gTLD applications and on-going services to new gTLDs.

NOW THEREFORE, BE IT:

Resolved, that the GNSO Council supports the formation of a joint SO/AC working group to respond to the Board's request by developing a sustainable approach to providing support to new gTLD applicants requiring assistance in applying for and operating new gTLDs, keeping in mind the GNSO Implementation guideline to recover the cost of new gTLD applications and on-going services to new gTLDs, and the goal of not creating further delays to the new gTLD process;

Resolved further, that Rafik Dammak shall serve as the GNSO Council Liaison for this joint SO/AC working group;

Resolved further, that the GNSO Council Chair shall within 48 hours of this motion inform the Chairs of other SO's and the AC's of this action and encourage their participation;

Resolved further, that ICANN Staff shall within seven calendar days of this motion identify and assign applicable Staff support for this working group and arrange for support tools such as a mailing list, website and other tools as needed;

Resolved further, that the staff support assigned to this working group shall within 48 hours after the support tools are arranged distribute an invitation for working group participants as widely as possible within the SO/AC community;

Resolved further, that the New gTLD Applicant Support WG shall initiate its activities within 28 days after the approval of this motion. Until such time as the WG can select a chair and that chair can be confirmed by the participating SO's and AC's, the GNSO Council Liaison shall act as interim co-chair with the liaison(s) from other SO's and AC's;

Resolved further, that the New gTLD Applicant Support WG shall as its first action items: i) elect a chair or co-chairs; ii) establish meeting times as needed; and iii) develop and propose a charter describing its tasks and schedule of deliverables for approval by the participating SO's and AC's.

Resolved further, that the New gTLD Applicant Support WG shall deliver its initial recommendation for community comment in time for discussion at the Brussels ICANN meeting.

6.3 ICANN Board Resolution 2.2 - 25 September 2010

See: <http://www.icann.org/en/minutes/resolutions-25sep10-en.htm#2.2>

Support to applicants will generally include outreach and education to encourage participation across all regions, but any direct financial support for applicant fees must come from sources outside of ICANN.

Staff will publish a list of organizations that request assistance and organizations that state an interest in assisting with additional program development, for example pro-bono consulting advice, pro-bono in-kind support, or financial assistance so that those needing assistance and those willing to provide assistance can identify each other and work together.

Owing to the level of uncertainty associated with the launch of new gTLDs, the fee levels currently in the Applicant Guidebook will be maintained for all applicants.

6.4 ICANN Board Resolution #12 - 28 October 2010

See: <http://www.icann.org/en/minutes/resolutions-28oct10-en.htm>

Whereas, the Board at its March 2010 meeting in Nairobi, Kenya, passed resolutions recognizing the importance of an inclusive New gTLD Program, and requesting stakeholders to form a Working Group to develop sustainable support needy applicants for new gTLDs; Whereas ALAC and the GNSO Council, in response to the Nairobi Board resolutions, formed a Joint Supporting Organization/Advisory Committee (SO/AC) Working Group on New gTLD Applicant Support (the JAS WG);

Whereas the JAS WG worked with various stakeholders and presented a report on their findings and recommendations to the Board, and the Board also received a statement on the matter from the African community;

Whereas the Board, at its September, 2010 meeting in Trondheim, Norway, made some statements on providing needy applicants with support such as outreach and education, and matching them with sources of support;

Whereas the Board, along the lines of its Nairobi meeting resolutions, is still committed to working with the community to ensure an inclusive new gTLD program;

RESOLVED (2010.10.28.20), the Board thanks the JAS WG and those members of the community who have devoted their time and energy on finding sustainable ways to support needy applicants for new gTLDs.

RESOLVED (2010.10.28.21), the Board encourages the JAS WG and other stakeholders to continue their work on the matter, and in particular, provide specific guidelines on the implementation of their recommendations such as determining the criteria for eligibility for support.

RESOLVED (2010.10.28.22), the Board further stresses that any needy applicant support program must have a sustainable funding model that may be independent of ICANN and can be implemented transparently, and effectively to the benefit of the global Internet community.

Annex C - List of Addenda in Companion Document

1. Members, Affiliations, Statements of Interest, Attendance
2. **Summary and Analysis** - Snapshot Public Comments Received from *June 16 to August 23*
3. Blog posting "*Call for Input: Support for New gTLD Applicants*" *June 14*
4. Text of Initial Snapshot Released on *16 June*
5. Transcript - Brussels Meeting Workshop Session *June 23*
6. Cover letter and text Excerpt from Draft Final Report - New gTLD Applicant Support (JAS WG) taken on *September 18*
7. Excerpt Prepared for Special Meeting of ICANN Board *September 25*