



23 June 2018

RE: NCSG Input into ICANN's FY19 Budgetary Process

Farzaneh Badiei
Chair, Non-Commercial Stakeholders Group

Dear Ms. Badiei,

Thank you for your input regarding the FY19 Budget. We have published your letter, dated 29 May 2018, to the ICANN correspondence page (<https://www.icann.org/en/system/files/correspondence/badiei-to-chalaby-29may18-en.pdf>).

We recognize and appreciate your participation in the ICANN organization's budget process, and the time and effort your group took to read the comments and provide further feedback. Your continued participation and input is important in ensuring the effectiveness of the multistakeholder model.

Since the Board meeting to adopt the FY19 Operating Plan and Budget took place the day your letter was received, we were not able to respond to your inquiries before the meeting. However, the Board members were able to consider the information in your letter before making a decision. While the FY19 Operating Plan and Budget was adopted on 30 May 2018, we wanted to make sure we addressed the points raised in your letter.

Like your letter, this response is separated by topic. Please find our comments below. We welcome your feedback and would welcome the opportunity to further discuss our correspondence at the upcoming ICANN62 meeting.

Staff Headcount

NCSG Comment:

ICANN org responded with a lengthy, three-page comment in which it put forward rationales for the hiring of each of the 38 new full-time positions that will be advertised in FY19. We take seriously the point that some of this growth is because 'the community' directed the organisation to undertake certain activities. However, given nearly all community support has now been cut, there is not much left in future years that can be cut from our budget. A structural change is needed in order to ensure the stability of ICANN for years to come. This might include a gradual resizing of the organisation as staff naturally depart, leaving vacant positions empty, or it could include vertical redeployment of personnel as organisational priorities change (rather than hiring new staff). For the survival of ICANN, this has to happen.

Response:

We acknowledge the NCSG's concern with ICANN org's headcount level. ICANN org is mindful of the slowing growth of funding and carefully considers every expense that it incurs, specifically hiring or replacing existing positions. The Adopted FY19 Operating Plan and Budget includes an anticipated total of 424 positions at the end of FY19. ICANN org has grown significantly over the

past several years but has slowed the growth of headcount. ICANN org headcount grew an average of 12% annually over the past five fiscal years. However, the headcount during next fiscal year is expected to grow by less than 2% versus our forecasted headcount of 416 positions at the end of FY18. This is a result of ICANN org's careful management of resources, applying several of the strategies and or suggestions that various members of the community, including the NCSG, have suggested to control headcount growth.

We respectfully disagree with your assertion that “nearly all community support has now been cut” and, later in our response, we will address concerns regarding the specific topics you mentioned. As ICANN org’s funding growth slows, we have driven cost-saving measures across the entire organization to ensure we are supporting projects which provide the most value to the organization by focusing on ICANN's core activities. We encourage you to revisit Document 2, Section 2.5 of the Adopted FY19 Operating Plan and Budget which describes the US\$8.5 million in savings we intend to achieve in the upcoming fiscal year.

Staff Compensation Structure

NCSG Comment:

We are aware that this information is not made available. It is our view that ICANN should publish this following information in aggregate form. It is our suspicion, based on our desk research of different markets, that staff salaries in Los Angeles are likely to be higher than in other cities owing to that location’s extraordinarily high cost of living. Given the majority of ICANN’s staff are based there, this is problematic, and we would encourage ICANN in future to hire personnel in cities with lower costs of living and where lower compensation packages can be both offered and accepted. That will also improve its globalization and serve more regions.

Response:

We understand your view on regional differences in salary and cost of living. However, we would like to point out that cost is not the only factor involved. In pursuing ICANN's strategic objective of globalization, we have leveraged ICANN's presence in several countries. One advantage of doing so is optimizing compensation costs in lower cost of living regions while maintaining the required skillset necessary for ICANN's activities. When considering geographical distribution of its resources, ICANN org will continue to consider four criteria: business needs, availability of skilled resources, operational feasibility, and costs.

Additional Budget Request (ABR) Envelope

NCSG Comment:

Firstly, we wish to note that the Community Regional Outreach Program (CROP) began as a pilot program funded through an ABR, then after several success iterations became a part of the core budget, and one year later was removed from the Budget without community consultation. Secondly, we were disappointed to observe that in the final Budget published on 21 May that the Additional Budget Request envelope had not been restored in size to FY18 levels. The 66% reduction in size in FY19 will negatively impact us, as we and others in the ICANN community relied on this resource to fund our research and critical external engagement activities.

We wish to remind you that this budgetary envelope was developed by the community through a bottom-up process, and has developed into a major way to engage communities across ICANN. The proposed reductions have resulted in important community requests for support not receiving funding. For instance, in the proposed final Budget published 21 May, the NCSG did not receive support from ICANN org to send three participants to the Internet Governance Forum (IGF) in Paris in November. The funding for these three participants was dependent on the acceptance of a workshop by the IGF's Multistakeholder Advisory Group, confirmed speaking opportunities, and a commitment to work with ICANN staff to promote faith in ICANN as an institution. The same conditions applied for funded travelers from other parts of the ICANN community, who comprised roughly 12 individuals in 2018. In not supporting community participation in this important forum, ICANN will save roughly \$15,000 -- but the credibility of ICANN as an institution will suffer, and this can already be observed on the various mailing lists like that of the Cross-Community Working Group on Internet Governance, where community members are no longer pitching IGF workshop proposals or accepting speaking engagements where they would be asked to speak on behalf of the ICANN community. Other important projects have not been funded this year which had equally small cost implications, like research assistance. As we rely on the inputs, advice, and participation of the broader ICANN community, we foresee negative implications from their cuts impacting our own policy work.

Thirdly, we ask that the length of the GNSO Council's Strategic Planning Session be maintained at three days in FY19. It has been approved for two days, which we consider to be too short. The first iteration of this forum in FY18 was highly successful and ran to three days. Given this, we believe it would be prudent to allow the GNSO Council's second Strategic Planning Session to run for a full three-days. It is quite possible that the Council, as manager of the GNSO's policy development processes, will need to spend the third day on issues surrounding the GDPR and the temporary specification which the Board adopted in May 2018.

In the FY19 Budget, some \$60,000 has been allocated to the GNSO Council's Strategic Planning Session, the bulk of which likely comprises of delegate flights. Unless we are significantly underestimating the costs involved in hosting this event (which was held in FY18 at ICANN's office in Marina del Rey, so ICANN had no need for external venue hire), the only additional cost here in stretching this to a three-day event is one additional night of hotel and per diem for each of the 22 travellers (21 Councillors + 1 volunteer facilitator), and a catered lunch. We believe this could not cost much more than \$5,000.

Response:

The Additional Budget Requests envelope is primarily designed for new activities during the upcoming fiscal year. Activities that have been effective in the past have become core funded activities in the respective budgets of the following fiscal years. In an effort to preserve the core support provided to policy development activities, ICANN org has narrowed additional support to a limited number of supplemental activities.

Community Regional Outreach Program (CROP)

NCSG Comment:

We appreciate this acknowledgment that ICANN org misled the community by removing CROP

from the core budget without community consultation and hoping we would not notice its absence. We are grateful that \$50,000 has been found in the final Budget to partially restore CROP. However, given this is a significant reduction from the \$150,000 that supported CROP in FY18, we worry that the programme's scope has been shrunk without community consultation. This will negatively impact our ability to engage in critical external events.

We object to the insinuation that we would double dip, using both CROP and ABRs to serve the same purpose. We are aware of the distinction between the two. Our point was that if CROP was discontinued, we would now need to turn to the ABR process to seek to fund these important initiatives and activities, and as we said in our original comment, we would have only sought to have done this if CROP was not available.

Response:

We recognize that the participation of community volunteers at non-ICANN meetings can be useful. However, as stated above, ICANN org is focusing on supporting ICANN's policy development activities, which are largely carried out during ICANN Public Meetings.

Staff Travel

NCSG Comment:

The NCSG is grateful to receive this update, and are glad to hear that Board travel expenditure is on the decline. However we still lack insights into how much ICANN spends on staff travel, particularly outside of ICANN meetings. We have in our possession a copy of the ICANN Staff Travel and Expenses Policy (dated September 2015, being the latest version uploaded into the FCM Constituency Travel portal), and from that we understand that staff ordinarily travel in business class on journeys over eight hours, and in premium economy for journeys between five and eight hours, except if traveling to an ICANN Public Meeting. We would appreciate more granularity into what proportion of staff travel is in premium cabins, how frequently staff travel, and the average cost of each trip. We note that ICANN requires that community volunteers travel on the lowest logical fare in economy class, even when funded to travel long-haul for non-ICANN Public Meetings, for instance for Intersessionals, Strategic Planning Sessions, and CROP activities. We believe there should be a common standard of travel for ICANN Board members, staff, and community members, as this is only fair and consistent with the principle that in a multistakeholder model, no one participant is more important than another. We also note that it is unclear as to whether these supposed reductions in travel costs have been achieved through reductions or efficiencies in staff travel, or primarily through cuts to community support, for example by refusing to fund participation in the IGF in FY19 and cutting back on CROP expenditure by some 66%.

Response:

ICANN org personnel abide by a comprehensive travel policy, some aspects of which you have referenced. ICANN personnel travel is closely monitored and is controlled by a strict approval process. The statistics and analysis you requested are not readily available. We recognize that this information would be useful and ICANN org will consider producing such analyses in the future.

In closing, we thank you for your input and suggestions which help ICANN continuously improve its transparency and accountability.

Sincerely,



Xavier Calvez
Chief Financial Officer
ICANN