Background - IDN ccTLD Fast Track Process

One of the most significant innovations in the Internet since its inception will be the introduction of top level Internationalized Domain Names (IDNs). These will offer many new opportunities and benefits for Internet users around the world by allowing them to establish and use domains in their native languages and scripts.

The topic of IDNs has been discussed in the ICANN community for a number of years. Initially, development was focused on enabling the introduction of IDNs as registrations under existing TLDs, but focus has shifted to be on broadening the characters repertoire available for use in top level strings as well. The IDN ccTLD Fast Track Process is one process ICANN is working on that will enable such introduction. The process for implementation of new gTLDs will also support Internationalized Top Level domains as part of the new gTLD program.

The initial steps for introduction of IDN ccTLDs were initiated by the ICANN Board at its meeting in Sao Paulo (December 2006). During consultations and discussions of the then joint GAC and ccNSO IDN working group, it became clear that a number of countries and territories have a pressing need for IDN ccTLDs. The IDN ccTLD Fast Track Process is specifically aiming at meeting this near-term demand and at gaining experience with the mechanisms for selection and authorization of such TLDs that can inform the ongoing long-term policy development process.

The implementation of the IDN ccTLD Fast Track Process is underway and it is based on the Final Report of the IDNC Working Group, recommending mechanisms to introduce a limited number of non-contentious IDN ccTLDs, associated with the ISO 3166-1 two-letter codes. In the initial Draft Implementation Plan for the IDN ccTLD Fast Track Process, a number of open issues were identified that require further input from the community and need to be resolved, to complete the implementation.

This paper is part of a series of papers that will serve as proposed solutions on these open issues. The proposed solutions are based on received public comments and input received through meetings, such as those held during the ICANN meeting in Cairo, Egypt, November 3-7, 2008, and in Mexico City, Mexico, 1-6 March 2009. The papers are being posted in conjunction with an updated Draft Implementation Plan to seek further community collaborations in particular before and during the ICANN Meeting in Sydney, Australia, 21-26 June 2009. A public comment period for these papers is made available to enable and document such community discussions. Received comments will then be used to revise the plan in preparation of a Final Implementation Plan.

Please note that this is a proposed discussion draft only. Potential IDN ccTLD requestors should not rely on any of the proposed included details as it remains subject to further consultation and revision.

A full overview of activities related to the IDN ccTLD Fast Track Process and implementation thereof can be viewed here: http://www.icann.org/en/topics/idn/fast-track/
Summary of Key Points in this Paper

- The introduction of IDN ccTLDs represents quantifiable effort and cost directly benefitting ccTLDs, which must be covered.
- The paper recommends that the financial costs will be covered by pre-arranged contributions from IDN ccTLD managers.
- The paper proposes prearranged and recommended contributions for new IDN ccTLDs to cover the costs of processing string requests, and an annual contribution structure to provide recovery of supporting operations costs.

I. Requirements for Financial Contributions

The purpose of the Fast Track Process is to make new IDN ccTLDs available as soon as possible to parts of the world where native languages are not based on the Latin script. The Fast Track Process is being executed while ICANN is still developing long-term policy for these new TLDs.

From a financial perspective, the introduction of these new TLDs represents quantifiable effort and cost directly benefitting IDN ccTLDs. Given this new cost and service element, it is recommended that there be a financial contribution by IDN ccTLD managers. As background, today ICANN receives approximately 95% of funds from generic TLD registrants, paid through registries and registrars. Also, many country code managers voluntarily contribute to ICANN’s funding.

Given the history of voluntary contributions by country code managers, and the direct advice of both the ccNSO and the GAC, ICANN is considering a recommended contribution framework that is effective, universal and fair to allow for the rapid deployment of IDN ccTLDs. This framework includes:

- A prearranged and recommended contribution to recover the costs of accepting and processing new IDN ccTLD requests; and
- A prearranged and recommended annual contribution to recover the ongoing expenditures in support of IDN ccTLDs, as well as some of the development costs necessary to create the IDN Program and Fast Track Process, expressed as a percentage of the IDN ccTLD manager’s IDN registration revenues, denominated in local currency.

These contributions will provide cost recovery for four different identified cost elements that are described in more detail below:

- Activities and services in support of the ccTLD community.
- Developing and implementing the Fast Track Process for IDN ccTLDs.

1 The shorthand term “IDN ccTLDs” refers to new top level domains associated with entries in the ISO 3166-1 list.
• Costs associated with processing IDN ccTLD requests.
• Ongoing support for the IDN ccTLDs, requiring incremental expense.

Activities and Services in Support of the ccTLD Community

There is no formal requirement for ISO 3166-1 country code managers, which pre-date ICANN, to contribute financially to ICANN. However, many ccTLD managers understand the need to support ICANN financially and do so on a voluntary basis to help ensure ICANN continues its activities and development work for the ccTLD community and the Internet as a whole.

ICANN has recently developed and published a framework that analyzes ICANN’s expenditures on a structural basis. For example, this analysis attempts to answer the questions: How much does ICANN spend in support of generic registries and the GNSO? How much does ICANN spend in support of ccTLD registries and the ccNSO? Of course, this framework is just one of several financial analyses that ICANN provides, and it yields just a partial view of ICANN’s operations; an effective ICANN is not just the financial sum of its parts. This recently published analysis shows that ICANN spends approximately $9-10MM annually with the ultimate intent to benefit ccTLDs.

These expenditures are the result of many activities, and an allocation of support costs. Some of these activities include:

• Administration of the process for delegation and re-delegation of TLD registry responsibilities;
• Holding ICANN meetings in all regions of the world on a regular basis;
• Providing documentation and workshops in many languages;
• Support of the ccNSO policy-making body, for work on global policies for country code managers, and support of other policy-making bodies of ICANN;
• ICANN’s efficient global presence (focused on regional outreach, not offices), for direct communication with local communities, including ccTLD managers;
• Technical workshops for ccTLD managers;
• Policy development and implementation, including work by ICANN’s bodies, staff and consultants.

Developing and Implementing the Fast Track Process for IDN ccTLDs

In response to the ICANN community, and in particular to the ccNSO and GAC, ICANN’s Board directed staff to develop an implementation plan for the Fast Track Process that will enable allocation of IDN ccTLDs for countries and territories that have a pressing need for IDN TLDs.

The current ccNSO policy framework does not include IDN ccTLDs. The ccNSO is considering the issue of IDN ccTLDs through a policy development process (PDP) expected to reach completion within the next two to three years. The results of this PDP
will define aspects of IDN ccTLDs from their creation onwards and will formalize their integration into the system of unique identifiers. All IDN ccTLDs allocated under the Fast Track Process will be subject to the results of the ccNSO PDP on the IDN ccTLDs.

Developing the Fast Track Process, as well as implementing it for IDN ccTLDs will cause ICANN to incur expense. Currently, ICANN is developing the procedural and operational infrastructure required to deploy IDN ccTLDs via the Fast Track Process. The implementation efforts are following the proposals from the ICANN community, as well as supporting the policy recommendations initiated by the ccNSO and the implementation of its outcome.

**Costs Associated with Processing IDN ccTLD Requests**

There will be costs associated with processing IDN ccTLD requests relative to a number of independent evaluation bodies such as the DNS Stability Technical Panel that will be comprised of external technical experts.

**Ongoing Support for the IDN ccTLDs, Requires Incremental Expense**

ICANN will provide ongoing support for the IDN ccTLDs, requiring incremental expenses. This includes support for root zone changes, maintenance of IDN guidelines, maintaining the IDN Practise Repository (for IDN Tables) and other activities to ensure the security and resilience of the DNS.

The IDN ccTLDs represent new services and new expenses for ICANN and it is reasonable that the registry managers contribute towards this expense. While the issue of financial contributions will only be formally addressed in the ccNSO PDP on IDN ccTLDs it is reasonable for ICANN to establish a financial contribution framework for the Fast Track Process to act as a bridge until this PDP is completed.

The IDN ccTLD Fast Track Process is widely regarded as addressing a critical need of today's Internet. Meeting this need requires new services and new expenses on the part of ICANN. ICANN is seeking that the registry managers contribute towards recovering the costs associated with these new services in a method that is simple, and can accommodate the wide variety of country code registry models.

### II. Prearranged, Recommended Contributions

**Request Processing and Handling Contribution**

Actual costs of processing and handling requests for IDN ccTLDs have been estimated, and published separately. Costs include administrative costs, regional support costs for the requestor, technical panel reimbursement and other costs. These costs are currently estimated to be local currency equivalent of between $25,000-$50,000 for each new TLD. (A specific recommendation amount and the financial analysis to support it will be published shortly.)

**Annual Operating Contribution**

As noted earlier, ICANN is seeking a mechanism for annual operating contribution that is effective, universal and fair. This annual contribution should recover annual support expenses, and, over time, recover some of the IDN and Fast Track Process development...
expenses. Given the many different types, operating models and sizes of country code registries, a framework related to the number of registrations seems consistent with this objective.

The recommended annual operating contribution is 3% of revenue, calculated based on the number of domain name registrations in the IDN ccTLD and the revenue per registration, as reported by the manager, in local currency. Recognizing that the smallest registries and least developed countries might face a disproportionate cost, especially during start-up phases, the recommended contribution is tiered so that both the amount and basis of calculation for recommended contributions is smaller for smaller registry managers. At fewer than 20,000 registrations, the recommended contribution percentage is 1% of revenue. At less than 50,000 registrations, but more than 20,000 registrations, the recommended contribution is 2% of revenue. At more than 50,000 registrations, the recommended contribution is 3% of revenue.