

Staff Report of Public Comment Proceeding

Draft PTI and IANA FY20 Operating Plans and Budgets																			
Publication Date:	07 December 2018																		
Prepared By:	Kirsten Wattson and Shani Quidwai																		
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Section I: General Overview and Next Steps																			
<p>PTI (Public Technical Identifiers) was incorporated in August 2016 and became operational in October 2016. Under PTI's Bylaws, draft Operating Plans and Budgets for PTI must be submitted to the PTI Board nine months before the start of each fiscal year. A draft Operating Plan and Budget for PTI for FY20 were presented to the PTI Board and ICANN Board Finance Committee for review and published for public comment on 28 September 2018.</p> <p>The FY20 PTI Operating Plan and Budget will be proposed for adoption by the PTI Board on 19 December 2018. As required under the PTI Bylaws, the PTI Operating Plan and Budget will also be presented to the ICANN Board as an input into ICANN's budget process and will also be the basis for the required IANA Budget. The FY20 IANA Operating Plan and Budget will be proposed for adoption by the ICANN Board at the beginning of January 2018.</p> <p>ICANN and PTI use comments on draft planning documents to identify areas of strength and areas for improvement. Comments provided in this public comment proceeding will help identify specific changes that may be incorporated into the final budget documents and/or implemented in the next planning process. This analysis is part of our commitment to continuous improvement.</p>																			

Section II: Contributors

At the time this report was prepared, a total of six (6) community submissions had been posted to the forum. The contributors are listed below in chronological order by posting date with initials noted. To the extent that quotations are used in the foregoing narrative (Section III), such citations will reference the contributor's initials.

Organizations and Groups:

Name	Submitted by	Initials
GNSO Council	Keith Drazek	GNSO
ICANN At Large Advisory Committee	Jean-Jacques Subrenat	ALAC
ICANN Business Constituency	Steve DelBianco	BC
Non-Commercial Stakeholders Group	Rafik Dammak	NCSG
Registrar Stakeholder Group	Zoe Bonython	RrSG
gTLD Registries Stakeholder Group	Samantha Demetriou	RySG

Section III: Summary of Comments

General Disclaimer: This section intends to summarize broadly and comprehensively the comments submitted to this public comment proceeding but does not address every specific position stated by each contributor. The preparer recommends that readers interested in specific aspects of any of the summarized comments, or the full context of others, refer directly to the specific contributions at the link referenced above (View Comments Submitted).

There were six submissions to the public comment forum on the Draft FY20 PTI and IANA Operating Plans and Budgets. The comments were further broken down into a total of 21 individual comments and segmented by theme. Further analysis follows in the section below.

Many comments pertained to financial management or document structure on both the PTI and IANA documents. These comments provided suggestions for changes to improve readability and understanding. Other comments included those pertaining to general comment, level of detail provided in the documents, and one noted concern over potential PTI separation from ICANN.

We segmented comments thematically, and not based on the group submitting them, to gain a better understanding of the comments. The comment themes are listed here and the analysis section provides a high-level assessment of the observations, questions, and requests. Responses to individual comments are provided in the appendix.

Themes

Document Structure (three Comments)
Financial Management (11 Comments)
PTI Structure (three Comments)
General Comments (four Comments)

Section IV: Analysis of Comments

General Disclaimer: This section intends to provide an analysis and evaluation of the comments submitted along with explanations regarding the basis for any recommendations provided within the analysis.

Document Structure/Format

There were three comments on the document structure/Format of both draft Operating Plans and Budgets.

Financial Management

There were 11 comments regarding the financial information presented. Most questions inquired about the level of granularity both with the dollar figures and the amount of detail that was presented. In addition, there were a couple of comments over the representation of depreciation.

PTI Separation & Structure

There were two comments on the structure of PTI operations, and one comment regarding PTI separation. In a case of a separation of PTI, ICANN is expected to cover all costs related to a transition to separation and ICANN would not raise fees from TLD operators (registries, registrars and, indirectly, for registrants) in order to achieve separation of PTI. The other comment indicated that in a scenario in which PTI would become separated from ICANN, a PTI Reserve Fund should be considered in order to provide PTI sufficient means to continue to perform its key functions independently during a limited time. The CWG IANA Stewardship Transition Report, Annex L defines steps that would have to take place in order for a determination on how to proceed if the IANA Function Review (IFR) determines that a separation process is necessary. Annex L documents that a Separation Cross Community Working Group would be convened and any proposal would undergo a public comment. There is no requirement for a reserve fund to be established in advance of a proposal from the Separation Cross Community Working Group and the associated public comment.

General Comments

General comments were mainly comprised of statements regarding the PTI and IANA budget process.

Appendices
Appendix A below provides a specific response to each individual comment.

APPENDIX A

Document Structure

#	Comment	Contributor	Response / Action Taken
Section Summary: This section excerpts comments and questions relating to Capital Expenditures			
1.	Page 5, ALAC supports the medium-term approach and planning, in conjunction with the ICANN Strategic Goals, “In FY20, work is expected to principally conclude on a multi-year effort to develop a comprehensive set of systems and tools to support protocol parameter assignment workflows. These systems will enhance the way service is delivered to the Internet standards community. Other areas of activity include continued evolution of the Root Zone Management System, enhancements to the IANA.org website and associated tools to modernize and make information more accessible, and updates to the root zone key management software and facilities.”	ALAC	Thank you for your comment.
2.	Page 5, last sentence makes no sense and needs to be reviewed, “It is anticipated work relating to ICANN initiatives such as variant TLDs and the subs.”	ALAC	The sentence was not complete and should conclude “... and the subsequent procedures for new gTLDs would commence this period.” The document will be updated for this correction.
3.	Page 8, item 5.2 IANA Numbering Function, fourth bullet point should spell “Unicast” with the first letter in upper case, as it is a specific and recognized addressing method, see https://en.wikipedia.org/wiki/Unicast .	ALAC	Thank you for your comment. The lowercase “unicast” appears to be the prevailing usage in standardization documents (i.e., the RFC series) from which we typically derive advice for managing numbering spaces, but we will research further to ensure we utilize a consistent style.

Financial Management

#	Comment	Contributor	Response / Action Taken
Section Summary: This section excerpts comments and questions relating to Financials of the PTI & IANA Operating Plans and Budgets			
4.	Please elaborate on the activity of PTI staff which merits an increase of \$300,000 for 22.8 FTE for merit awards, increases and benefits?	ALAC	The \$300K increase is not related to any specific activity but consists of annual salary and benefits increases for all positions in PTI that are eligible for an increase on the annual merit increase cycle. In addition, there were separate salary adjustments for three positions in order to align the salary for these positions to the market. The remuneration framework for PTI is covered by the ICANN's remuneration framework as published at this link: https://www.icann.org/en/system/files/files/remuneration-practices-fy18-01jul17-en.pdf .
5.	Please explain which professional services were required for an increase of \$400,000 (31.1% over FY19 budget, due to shared services with ICANN)?	ALAC	The increase in professional services is due to the addition of Language Services and the Office of the Chief Technology Officer as support functions. In FY19, these departments were not considered part of the PTI Shared Services calculation, but upon further review with the departments during the FY20 budget process, it was determined that these two departments do contribute to PTI Services and should be included in the Shared Services calculations.
6.	Why are some decreases listed as totals (\$ USD), and some as percentages (%) making it more difficult to draw comparisons? For example: 1. A decrease in legal expenses of \$400,000; 2. Decreased travel and meeting expenditure by 16.9%; 3. Decreased administration of \$100,000 (7.4%) due to lower rent costs.	ALAC	Thank you for your comment. We agree that not being consistent with the format of the data in both dollars and percentages might be confusing. We will make these revisions to the FY20 Operating Plan and Budget

#	Comment	Contributor	Response / Action Taken
7.	Page 7, item 4.1 Budget Overview: in the table, the line entitled "Depreciation" gives a constant value (0.3 million USD), and yet predicts a -11% variation. This needs to be clarified, especially as current forecasts for the USD seem to indicate its positive valuation in the near future, instead of its depreciation, see this table from The Economy Forecast Agency (look at 2019 and beyond), https://longforecast.com/euro-todollar-eur-usd-forecast-2017-2018-2019-2020 .	ALAC	The figures presented in the documented are rounded, and the actual dollar figures are \$270K versus \$303K, which is an 11% decline. The decrease in depreciation is due to assets that are becoming fully depreciated, most notably, the Key Management Facilities infrastructure. Depreciation represents the cash expenses associated with the use of ICANN's assets in carrying out PTI Services.
8.	Page 7, under item 2.1 "Travels and Meetings" should read "I. Fewer PTI Operations Trips resulting in lower EXPENDITURES (Jean-Jacques 'emphasis)" instead of "lower costs". Costs are determined by travel and service providers, whereas expenditures are borne by PTI.	ALAC	Thank you for your comment. We will review this suggestion and make updates to the document as necessary.
9.	Page 7, under 4, last line should read "... shows a decrease of..." (instead of "...shows an decrease of...").	ALAC	Thank you for your comment. We will update the document.
10.	Page 8, under item 7, a clearer definition of "Depreciation" is required, in order to differentiate PTI/ICANN bilateral arrangements from the broader issue of depreciation in the monetary sense.	ALAC	Thank you for your comment. Depreciation represents the cost associated with the use of ICANN's assets that directly support PTI Services.
11.	There should an annex or addendum which lists the detailed breakdown of direct and indirect PTI costs, which was carried out by ICANN through different departments (e.g., Communications, Governance support, etc). It is included in the table, total figures, under "Professional services". For the sake of transparency, the detailed breakdowns should be included in the budget.	ALAC	Thank you for your comment. We will evaluate the feasibility of providing more specificity about the Departments included in the direct and indirect PTI costs.

#	Comment	Contributor	Response / Action Taken
12.	<p>PTI: The BC notes responsive improvement in the FY20 PTI Operating Plan and Budget proposal based on past comments. However, on page 7 there is a 0.1% reduction in FY20 Budget compared to that of FY19 when the subject values (Total Cash Expenses) are each USD\$10m, which is confusing. Similar situation is noted on the computations. We request that figures be computed to 2 decimal positions instead of one so that the equivalent percentage difference can be apparent.</p> <p>Also, since ICANN is producing long term budget scenarios, BC recommends that PTI does the same.</p>	BC	<p>Thank you for your comment. Any scale and arithmetic inconsistencies are due to rounding to the nearest million.</p> <p>We will consider the suggestion that we present the data with more detail in subsequent documents.</p> <p>The recommendation that PTI prepare long term budget scenarios will be raised at the Board level.</p>
13.	<p>IANA: The BC notes responsive improvement in the FY20 IANA Operating Plan and Budget proposal based on past comments. However, on page 5 there is a 0.1% reduction in FY20 Budget compared to that of FY19 when the subject values (Total Cash Expenses) are each USD\$10m, which is confusing. We request that figures be computed to 2 decimal positions instead of one so that the equivalent percentage difference can be apparent.</p> <p>We note an error in the computation of percentage increase of IANA budget handled by ICANN, which is 1.9% instead of 2.2% as indicated.</p> <p>Also, since ICANN is producing long term budget scenarios, BC recommends that IANA does the same.</p> <p>The BC endorses this draft IANA budget if noted computational errors are corrected</p>	BC	<p>Thank you for your comment. Any scale and arithmetic inconsistencies are due to rounding to the nearest million.</p> <p>The difference of the 1.9% vs the 2.2% as indicated, is due to the number of decimal places that are shown. The whole dollars are \$10.732M and \$10.499M respectively, which does correspond to the 2.2% variance.</p> <p>We will consider the suggestion that we present the data with more detail in subsequent documents.</p>

#	Comment	Contributor	Response / Action Taken
14.	NCSG would look favourably upon including more decimals in future budgetary documents to be presented for public comment. Indeed, for a total budget of 10 million USD, it would be beneficial to have more precision than up to 100 000 USD.	NCSG	<p>Thank you for your comment. We acknowledge that any scale and arithmetic inconsistencies are due to rounding to the nearest million.</p> <p>We will consider the suggestion that we present the data with more detail in subsequent documents.</p>

PTI Structure

#	Comment	Contributor	Response / Action Taken
Section Summary: This section excerpts comments and questions relating to the PTI Structure			
15.	The GNSO Council notes that one of our current policy development activities does potentially intersect with the operations of the IANA Functions by PTI. The New gTLD Subsequent Procedures Policy Development Process Working Group is currently developing policy that may ultimately instruct PTI to place new gTLDs into the root. However, it is not anticipated that delegations would occur in FY20.	GNSO Council	Thank you for your comment. We do envisage preliminary preparatory work may need to be conducted in FY20, and thus have made an allocation that may be used for this and for other potential work such as implementation of Variant TLDs. The timing and impact of these activities will be better known when the input processes are further advanced.
16.	<p>While NCSG understands that ICANN wishes to maintain uniformity throughout the whole organisation on how budgetary matters are presented, certain elements of the two documents under comment here can appear confusing to the community and the public. More precisely, we are referring to naming conventions (“Core IANA Services”, “IANA Services”, “PTI O&B”, “Contract Oversight and Auxiliary Services”), footnote (a) of Appendix A and B (which cannot be understood without precise knowledge of the context of the transition of IANA from ICANN to PTI), as well as the numbering of Section 5.1 in the IANA Budget.</p> <p>NCSG is happy to work further with the relevant persons and departments of ICANN org to find ways to improve the accessibility of future budgetary documents while meeting ICANN org’s objectives of uniform presentation.</p>	NCSG	Thank you for the comment. We are happy to explore ways of more clearly communicating the different budget components so that the concepts can be more accessible.

#	Comment	Contributor	Response / Action Taken
17.	<p>The RySG would like to reiterate its concern about potential scenarios in which PTI would become separated from ICANN. We suggest that such a scenario is thought through as well as the appropriateness of a PTI Reserve Fund providing PTI with sufficient means to continue to perform its key functions independently during a limited time.</p> <p>With regard to a possible PTI/ICANN Separation Process, the RySG would like to recall that: ‘In the case of a recommendation for any action [by the Separation Cross Community Working Group (SCWG)], ICANN is expected to cover all costs i.e. costs related to the then transition, costs related to the possible selection of a new IFO and the ongoing operating costs of the successor operator. Moreover, in bearing such costs, it is to be required of ICANN that it does not raise fees from TLD operators (registries, registrars and, indirectly, for registrants) in order to do so.’</p> <p>The RySG considers a PTI/ICANN Separation Process to be a Consequential Event for which the ICANN Reserve Fund is expected to provide the appropriate level of support.</p>	RySG	<p>The scope of potential separation scenarios are for consideration in the IANA Naming Function Separation Process set out in the ICANN Bylaws at Article 19. The IANA Naming Function Contract at Section 9.3 requires that a Transition Plan be put in place so that PTI is in a position to transition its responsibilities if necessary.</p> <p>The CWG IANA Stewardship Transition Report, Annex L defines steps that would have to take place in order for a determination on how to proceed if the IANA Function Review (IFR) determines that a separation process is necessary. Annex L documents that a Separation Cross Community Working Group would be convened and any proposal would undergo a public comment. There is no requirement for a reserve fund to be established in advance of a proposal from the Separation Cross Community Working Group and the associated public comment.</p>

General Comments

#	Comment	Contributor	Response / Action Taken
Section Summary: This section excerpts comments and questions relating to General Comments			
18.	The GNSO, as a Decisional Participant within the Empowered Community, is aware that should any of its constituent parts have issue with the IANA/PTI budget, it is the IANA Operating Plan and Budget that would be subject to possible rejection petition should that occur.	GNSO Council	Thank you for your comment.
19.	The GNSO Council has no objection to the proposed IANA/PTI budgets published on 28 September 2018 and will defer any specific comments to its SGs/Cs.	GNSO Council	Thank you for your comment.

#	Comment	Contributor	Response / Action Taken
20.	<p>As a Civil Society Constituency, we are concerned with the rights of non-commercial internet users of and matters concerning the policy development regarding gTLDs. NCSG Supports the variations made to address the Technical and Administrative Expenditure in both PTI and IANA Budget to deliver smooth and robust operation and maintenance of key Internet Resources and we are keen follow up on IANA operations and developments from a GNSO stakeholder group perspective.</p> <p>NCSG strongly supports the continued maintenance of the PTI budget to ensure continuity of service in the IANA functions. The flat year on year approach of the FY20 budget is acceptable to NCSG as long as the IANA customers and the core maintenance of the RZMS and the other IANA functions are sufficiently accounted for in the FY20 budget.</p>	NCSG	Thank you for your comment. The proposed budget is expected to be sufficient for successful ongoing delivery of existing services to the service levels expected of our customers.

#	Comment	Contributor	Response / Action Taken
21.	<p>The Registrar Stakeholder Group (RrSG) is well aware of the importance of the PTI and IANA functions and that they need the resources to be able to continue performing effectively. However, in the current financial climate both within ICANN and the domain industry in general, the RrSG also appreciates that financial prudence is being applied to the Draft IANA, and particularly the PTI, Operating Plan and Budgets and is therefore supportive of what has been proposed.</p> <p>With that said, although an overview has been provided on the functions and projects which the plan and budgets support, the RrSG would still like to see more granular detail provided. This would permit a fuller understanding of budget allocations and spending and allow the community to better measure the appropriateness of the costs.</p>	RrSG	Thank you for your comment. We will consider whether and to what extent to provide more granularity in subsequent documents.

End of Report