IDN ccTLD Fast Track Program

Cost Analysis of IDN ccTLDs Focus on Program Development and Processing Costs

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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 via 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 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, in order 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 requires financial resources for ongoing TLD support, for the development of the overall IDN program at ICANN, specifically the development of the Fast Track program, and for the processing of requests for IDN ccTLDs.
- The costs associated with ongoing TLD support is covered in a separate Expenditure Area Group (EAG) report.
- The paper analyzes the development costs associated with IDN policy and the Fast Track Process.
- The paper analyzes the costs associated with processing a request for new IDN ccTLDs.

I. Overview

In a separate paper (*Proposed Implementation Details Regarding Financial Contributions to Support the Development and Deployment of IDN ccTLDs*), it is noted:

> "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. "

This raises the question, "What are the costs of supporting a new, or a set of new IDN ccTLDs?"

Costs associated with the new IDN ccTLDs break down into three categories:

1. Ongoing TLD support costs, including administration of the process of delegating and updating information for TLDs, support for the ccNSO, ICANN regional presence for country codes, specialized meetings, travel, and more. ICANN has recently published the Expenditure Area Group (EAG) report, which estimates this set of costs for country code-related work at ICANN. The costs include an allocation of overhead costs such as rent and insurance, but **exclude** other costs such as Board or Nominating support costs that might be considered, in other views of ICANN's budget, as ongoing support TLD support costs. The estimate in the EAG analysis for Fiscal Year 2010 (FY10) is $9.1 million.
2. Costs associated with the development of the overall IDN program at ICANN, and specifically for implementation of the Fast Track program.
3. Costs associated with processing requests for new IDN ccTLDs.

This paper focuses on estimating these last two categories of cost.

In determining costs on a per-string request basis, it is critical to have an assumption about the number of IDN ccTLDs that will be requested in the Fast Track Process. For this financial analysis, it is assumed that there will be 50 Fast Track requests during the life of the Fast Track Process.

The methodology used here is comparable to that used for New gTLD application processing costs analysis. Note that while the methodology is similar, the processes themselves are quite different; the IDN ccTLD process has substantially fewer steps and has more well-defined

outcomes than the New gTLD process, which will likely be used for many more names, and in very different environments.

II. Development costs associated with IDN policy and the Fast Track Process

A number of ICANN staff, consultants, and many members of the ICANN community have dedicated years of work on the introduction of IDNs into the root. Further, over the past year, there has been the work to develop the Fast Track Process itself. These development costs are an important part of understanding the total processing costs for IDN ccTLDs.

The costs to support IDN technical development overall is estimated to be $6.0 million (see Figure 1).

	Description	FY07	FY08	FY09	FY10 50% of FY09	Total Costs
1	Internal Labor Costs	546,312	728,416	771,264	385,632	2,431,624
2	IDN meetings & workshops	399,300	656,194	528,169	264,085	1,847,747
3	Technical Development	208,000	548,940	650,000	325,000	1,731,940
	Total	1,153,612	1,933,550	1,949,433	974,717	**6,011,311**

Figure 1 – Expended and anticipated costs for development of IDN program

These costs include estimates of labor costs, travel/meetings costs, and professional service costs expended over the past three fiscal years, plus an estimate of the portion of the FY10 budget that will be spent on the IDN program.

The analysis here assumes an equal split in IDN development costs allocated to the Fast Track IDN ccTLD and to the IDN gTLD programs. This IDN work was essential for both programs. So, $3.0 million of cost would be associated with the Fast Track program. Given assumptions of 50 Fast Track requests, this cost would equate to about $60,000 per request.[1]

More details: Labor component of cost analysis

The largest single component of development costs for IDN ccTLDs is labor. The first step in estimating the cost impact of labor was to identify the ICANN staff members that have dedicated time to the IDN effort over the past three years. That number ranged from 22 to 27 staff members, depending on the year. Estimated time spent ranged from as low as 5% (100 hours/year) of the time to as high as 100% for staff dedicated full time to the IDN effort. Figure 2 shows the estimated time for various individuals on the IDN effort in fiscal year ending 30 June 2007.

[1] Note that in a separate paper on financial contributions to support the development and deployment of IDN ccTLDs, ICANN suggests that these program development costs be recovered over time as part of a prearranged and recommended annual registry contribution.

	Dept	% of time	hours
Staff member 1	IANA	0%	-
Staff member 2	Global Prtnrshps	20%	416
Staff member 3	Global Prtnrshps	5%	104
Staff member 4	IANA	0%	-
Staff member 5	ccNSO	30%	624
Staff member 6	IANA	5%	104
Staff member 7	Global Prtnrshps	5%	104
Staff member 8	ccNSO Policy	20%	416
Staff member 9	Global Prtnrshps	5%	104
Staff member 10	Services	100%	2,080
Staff member 11	IANA	5%	104
Staff member 12	Policy	5%	104
Staff member 13	Global Prtnrshps	5%	104
Staff member 14	IANA	0%	-
Staff member 15	Services	10%	208
Staff member 16	IANA	5%	104
Staff member 17	Global Prtnrshps	5%	104
Staff member 18	VP/IANA	5%	104
Staff member 19	Global Prtnrshps	10%	208
Staff member 20	Services	5%	104
Staff member 21	Overhead	10%	208
Staff member 22	Registry	0%	-

Figure 2 – Labor allocations to the IDN project

Similar tables were developed for FY08 and FY09, and the FY10 proposed budget framework was analyzed to develop similar estimates. The primary assumption was that the IDN ccTLD development effort would be completed in the first half of FY10 and thus the total hours for FY10 would be about half of the FY09 estimates. The labor hours were then multiplied by the standard fully burdened labor rate. These calculations result in an estimate of $2.4 million in labor costs for the development costs for IDNs.[2]

More details: IDN meetings and workshops

Individual meetings dedicated or primarily dedicated to IDN efforts were identified over this same time period, and relevant costs identified. In addition, ICANN regional meetings for which IDNs were a major topic were identified, costs captured, and a percentage allocation was

[2] Labor rates for all ICANN staff were calculated to be $103 per hour. This is based on the total of all personnel costs including payroll, bonuses, retirement plans, employee insurance costs, and other related personnel costs such as recruiting and payroll services. This total was divided by the product of the number hours worked per year (2,080) and the number of staff members (94 FTEs for FY09). This approach produced analytically sound results.

applied to estimate the portion of the costs that were dedicated to IDNs. This includes, for example, a regional meeting in Dubai, focal ICANN meetings, etc. The total of all of the travel and meeting costs associated with the development for IDNs is estimated at $1.8 million.

More details: technical

Technical costs included the outside costs expended for various technical aspects of the IDN project over the past few years, including development of the example.test wiki, translation services, predeployment testing, etc. The total of the estimated technical costs as part of the development of IDNs is estimated at $1.1 million.

III. Costs associated with a request for new IDN ccTLDs

Although much more straightforward for the Fast Track Process than for the New gTLD process, new IDN ccTLD requests must be completed, checked for technical criteria, etc.[3] The IDN ccTLD program calls for managers of an IDN ccTLD to fulfill certain requirements. To determine that certain technical and operational requirements are appropriately met, each request for an IDN ccTLD string follows steps outlined in the Fast Track Process. IDN ccTLD requests will be processed through a series of phases composed of steps that are further broken into tasks. The current Fast Track Process calls for requests to go through three phases consisting of nine steps. The phases are:

1. **The Preparation Stage:** In this stage, the requester undertakes preparatory work to enter the Fast Track Process.
2. **The Request Submission and String Evaluation Stage:** In this stage, the requester submits a request for the selected string to be accepted by ICANN as eligible to be a representation of the country or territory.
3. **The Delegation Process Stage:** After a request has successfully passed the Request and Evaluation stage, it enters the Delegation Process Stage, during which the standard IANA predelegation process is applied before the request for delegation can be submitted for approval by the ICANN Board. [4]

Cost estimates for the Request Submission and String Evaluation Stage are based on estimates of ICANN staff labor hours and time required for consultants to perform technical evaluations and other steps. These hours were multiplied by the relevant estimated hourly rates. In addition, certain costs are anticipated based on setup and establishment of the IDN ccTLD request process. These costs, estimated at $115,000, might include retainers for consultants or system/technical setup. Figure 3 shows a summary of the analysis performed by step and stage by staff labor and consultant time in order to calculate the costs per IDN ccTLD request.

The processing of IDN ccTLDs through these steps will cost approximately $24,391 per request plus $115,000 of fixed costs. Assuming 50 IDN ccTLD strings, this equates to a total of $1.33 million, or a cost of $26,700 per request.

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[3] Note that the New gTLD application fee also includes estimated cost for variable processing costs that are harder to estimate, primarily related to risk. Since all IDN ccTLD requests will be supported by governments, and given ICANN's more limited role with respect to responsibility for ccTLD operations, this cost is assumed to be zero for IDN ccTLD processing.

[4] While the delegation phase is an important part of the Fast Track Process, no costs associated with this phase are directly included in this model. Contributions towards ICANN services are estimated in the Expenditure Analysis Group paper, and discussed further in Proposed Implementation Details Regarding Financial Contributions to Support the Development and Deployment of IDN ccTLDs.

STEPS	Probability	Step Description	Total Hours	Internal Costs per Request	Hours per Request	Average $/Hr	$ per Request	Total Variable Costs per request	Fixed Costs
S1	100%	Application Period	7	721	10	150	1,500	$ 2,221	60,000
S2	100%	Administrative Completeness Check	5	515	10	150	1,500	$ 2,015	5,000
S3	100%	Public Comment	7	721	5	127	635	$ 1,356	5,000
S5	100%	DNS Stability	14	1,442	16	175	2,800	$ 4,242	25,000
S8	100%	Technical	10	1,030	60	175	10,500	$ 11,530	10,000
S9	100%	Registry Services	9	927	12	175	2,100	$ 3,027	10,000
			52	$ 5,356	113		$19,035	$ 24,391	$ 115,000

Figure 3 – Analysis of costs required to process a request submission and string evaluation

IV. Cost Analysis Summary

As noted at the outset, there are three categories of cost associated with IDN ccTLDs:

1. Ongoing ccTLD support costs
2. Relevant costs associated with the development of the overall IDN program and the Fast Track programs
3. Costs associated with processing requests for new IDN ccTLDs

Ongoing ICANN support costs related to country code registries and the ccNSO are estimated to be $9.1 million in FY10. Relevant costs associated with the development of the overall IDN and Fast Track programs are estimated to be $6 million. It is currently proposed that these costs be recovered through a prearranged and recommended annual registry contribution.

Costs associated with processing requests for new IDN ccTLDs is estimated at $26,700 per request. It is currently proposed that these costs be recovered through a prearranged and recommended request processing contribution. For more information on these recommendations, see Proposed Implementation Details Regarding Financial Contributions to Support the Development and Deployment of IDN ccTLDs .

The Board Finance Committee has started review of the assumptions and analyses of this paper.

In order to solicit community feedback on the IDN ccTLD program development and processing costs, an online forum, already established in relationship to the existing series of papers posted regarding IDN ccTLDs and Fast Track, will remain open until 15 July 2009 at http://www.icann.org/en/public-comment/#fast-track