# TRANSCRIPT

## SOP Working Group Telephone Conference
*29 May 2013*

**Attendees:**
Byron Holland, .ca
Roelof Meijer, .nl (Chair)
Peter Van Roste, CENTR
Leonid Todorov, .ru
Mathieu Weil, .fr

ICANN Staff:
Bart Boswinkel
Xavier Calvez
Aba Diakite
Kristina Nordstrom
Taryn Presley

**Apologies:**
Fahd Bathayne,
Lesley Cowley,
Rosalia Morales,
Paulos Nyirenda,
Giovanni Seppia,
Sabine Dolderer,
Debbie Monahan

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| Kristina: | --On the call, or in Adobe, we have Roelof Meijer, Leonid Todorof, Peter Van Roste, Byron Holland, Mathieu Weil, Aba Diakite, Taryn Presley, Xavier Calvez, Bart Boswinkel, and Kristina Nordstrom, and we have apologies from Fahd Bathayne, Lesley Cowley, Rosalia Morales, Paulos Nyirenda, Giovanni Seppia, Sabine Dolderer, and possibly from Debbie Monahan, if she doesn't show up. |
| Roelof Meijer: | Okay, thank you.  Xavier, do you want to start off? |

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| Xavier Calvez: | So, I -- yes, I'm fine with that. I -- so, we have had a call on the 15th of May, so five days after this -- the budget presentation was published, to introduce the presentation to those present on the call, and to answer any questions that pertain to understanding the content and the structure of the document in order to facilitate the future review work of those who are interested in doing that review. |
| | So, my understanding is that this call is having the same objective with -- but with an intent specific to the CCNSO SOP working group. And as a result, what I'm suggesting to do, because I think that a number of you, if not all of you, have already gone through some parts, at least, of the document, I'm intending to go very quickly through the entire document. And I suggest that I don't necessarily stop, and that then we can go over questions that pertain ideally to understanding the document, ensuring that you have a correct understanding of what information is provided. |
| | As Roelof, Mark, and I have exchanged e-mails yesterday about this call, I will refrain from getting into substantial comments or providing information about the substance of the information that's provided into the presentation for the purpose of not unfairly providing the segment (ph) of information to specific audience, the CCNSO SOP working group, in this case, that I would not have provided it to the other participants of the same type of call or the one that happened on the 15th of May. This is because there's currently an ongoing public comment process happening, and that I want to make sure there's fairness across all interested participants relative to the information that is being received. |
| | And as a result, I may advise on the -- for some questions that you may ask, I may advise to publish the question on the public comment website. And obviously we will have an early knowledge and understanding of what those questions are, which is going to help us try to work already (inaudible) on an answer. But, I will not necessarily be able to answer them directly on the call, so I wanted to make that preliminary comment. |
| | I think there's someone who's not muted, and I think it'll be helpful if we can all mute when we are not speaking, please. Can everyone mute, please? |
| Roelof Meijer: | Xavier, this is Roelof. Yes, we had sent on the (inaudible) to you just (inaudible). I just want to assure you that, even if you provide answers for reactions to points that are not clarifying questions, that are more discussion points, we will -- all the discussions points that we have brought in so far, we will put them in our reaction to the public comment period. So, if then I can publicly respond to those points, that information will be available to the whole public. So, I just wanted to make sure that that was clear. |
| Xavier Calvez: | And of certain (ph) that's helpful, Roelof. Kristina, are we going to have a recording or a transcript of this call? |
| Kristina: | Yes, the call will be both transcribed and recorded, and posted online. |
| Xavier Calvez: | Okay, because, Roelof, I'm less concerned with the questions, because I think that it's -- I'm expecting what you were saying, that you guys will provide those questions. I was more concerned with my answers being provided to everyone. So, I'm fine with that, and will try to provide as much answers as I can during this call, knowing that I may or may not have the very specific or direct answer to the question. |
| | Having said that, let me go through the slides quickly. Again, I will go through them quickly because I'm assuming that you have already gone through the |

document to a certain extent and that you have also somewhat a familiarity, as a result, with the document.

So, on page two -- sorry, Kristina, do we have the Adobe version, or we do have the PowerPoint presentation?

| Kristina: | I have the PowerPoint uploaded, so I'm on page two right now. |
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| Xavier Calvez: | Okay.  So, page two is just an overview of the content.  The page three is just a very small introduction as to what the document is.  The background on slide four is aiming at the -- providing a  little bit of context, as well as page five -- in providing a little bit of context as to what changes the organization has gone through, and we'll talk a little bit more about that in the slide seven, eight--. |
| Roelof Meijer: | --Xavier?  Xavier?  Sorry for the interruption.  Kristina, are you clicking the slides?  Because I'm still on slide two, Table of Contents. |
| Kristina: | Yes, sorry, I was a little confused whether we were still on the page or not, so should I jump all the way to page five? |
| Xavier Calvez: | Yes, if you wouldn't mind. |
| Kristina: | Yes.  Okay. |
| Roelof Meijer: | Thank you. |
| Xavier Calvez: | So, I'll stay for a second on slide five just because here we're describing the main information that is included in the two sets of documents that make up the budget materials.  There's one, the PDF document, or PowerPoint document, that we are looking at right now that makes up the budget materials, and second, there is the Excel spreadsheet that was provided and published at the same time, that is the full integrated part of the budget materials. |

So, the three main piece of information that are -- or areas of information that are provided in those two documents are an overview of how the forecast of 2013 compares to the budget of 2013.  This allows us to reset a bit the latest full-year financial information of reference for the current year that then can be used for the purpose of comparing with the budget of '14.  So, we are comparing the budget of '13 to the forecast of '13 in the first section of the document, providing an understanding of where we're at today with the understanding that the forecast of '13 is -- comprises seven months of actual data and five months of forecasted data.  The basis of the forecasted data for the five months is the budget amended with specific information as we know it

The next area of information is the budget of 2013 -- '14, sorry -- that is compared to the actuals, or to the forecast of 2013 so that we have an element of records.  And the third piece of information is the breakdown of the overall 2014 budget as per the list of programs that are captured in the ATASC system, which is the system in which the management delivery and implementation data is captured.  What that data is, very simply, is all the activities and tasks that the staff carries out across the entire organization for an entire year.  So, it's everything that we do, and, as a result, it captures 100 percent of the costs of the organization, whether these costs are personnel-related, travel-related, professional services or administrated-related.

So, that's the three components of the information.  There's a summary of the Excel spreadsheet that appears in this PowerPoint document at the end of it, which -- sorry, towards the two-thirds of it, and that summary is detailed in the Excel spreadsheet.

I will move on to page seven, the -- and eight and nine, which provide an understanding of significant changes that occurred throughout 2013 and are expected in 2014. It may look like general verbiage, but there are many consequences of these changes having happened. They're anonymously (ph) always referring in the course of the document to these changes. But, I think you can understand, by the nature of those changes, that they're very pervasive throughout the organization and have a large impact on the number of processes. And we'll be more specific as the -- as the questions come in.

I will go directly on page 11, Kristina. This is only suggesting an overview of the overall planning process that we are targeting to carry out on a regular basis. The upper part talks about strategic planning. The middle part talks about what is more the operating plan and its budget. And the lower part looks to the actual monitoring that we need to do on a recurring basis of what the operating plan and budget turns out to be in reality in understanding the variances between that operating plan and budget and the reality helps us refine possibly the strategy, though it is unlikely that daily changes affect the strategy. But, most likely the operating plan would be affected by what gets accomplished or doesn't get accomplished in what year and what new elements come into the picture during a year that it didn't exist at the time the plan was built.

On the right of this slide, you can see that at the strategy level, objectives and goals are determined. The goals are translated into the portfolio of activities and projects that themselves contain several different programs, themselves broken down into projects, which themselves are made up of tasks. This -- these six boxes on the right of the slide are representing the structure of the ATASC system, which is the management system that the staff uses to document what we do every day. This system, I remind you, has been implemented between September and January -- September 2012 and January 2013.

The implementation of this system has, I remind you, been at the source of us changing the budget process a little bit in the middle of the year so that we ensure we can produce the budget information, the numbers, basically, in the same format than the management system so that we can really associate values and tasks (ph) to everything that the staff does, which I think is the most significant change in the fundamental structure of the data that we have produced as part of this budget process this year.

I will move on. Slide 12 is just providing an overview of the change in the budget process that I was just alluding to. And we're moving on directly to slide 14, 15, 16, 17, who are dealing with the variants -- the high level variants comments between the forecast of '13 and the budget of '13 and try to explain the main elements of why the forecast is different than the budget. And I'm assuming that there may become -- questions coming out of that. We'll -- I can try to address some of them when we are done with the presentation here.

We then -- starting slide 18, start the presentation of the budget data at a high level, similar format. This is the same as the facility presenting the budget of '14, comparing it to the forecast of '13 in a breakdown that I think is consistent with what you have seen in the past, the breakdown of revenues, on page 20, then variance analysis of the revenues on page 21. The page 22 is relatively substantial in the sense that it tries to provide an analytical breakdown of the variances between '13 and '14 in terms of the main -- the main areas that drive the growth of the organization and the growth of its expenses and revenues.

And these -- the -- so you can see on the left side of the slide that we start with the 2013 numbers broken down between the main categories of costs, and then from that point adding the next columns of variances, you end up by making up

the number of -- for 2014.  So, the columns that appear between the two vertical bars are variances, changes in the amount of money that is being spent in these areas that are labeled at the top of the schedule that reflect the growth of the changes in either the approach or in the structure of those areas, basically.

At the very bottom of this slide, you can see a box that basically contains the departments that are -- whose numbers contribute to the variances that are described -- that are measured above.  So, as an example of the first column that's called "Impact of Internationalization (ph), Including Languages," the departments whose activity and change in activity contribute to the numbers that appear in that column are the Global Stakeholder Engagement Group, the Language Services Group, the Government Engagement Department, as well as discernment of specific costs pertaining to the offices that ICANN is opening, or is planning to open, in the year 2014.

So, this is the structure of this slide.  I'll move on to slide 23, which is a simple breakdown of headcount, providing an end-of-year reference point, as well as an average headcount for the year.  So, the average for '14 is the headcount between July 1, 2014 -- sorry, July 1, 2013 to June 30, 2014, and then the variants.

Visual representation of the same information on slide 24 that -- providing a two-year span to this information so that the change in the structure, in the size of the organization, over a two-year period is apparent, considering how significant it is.  The -- from page 25 on is provided an overview of the -- of the data in ATASC.  You may recognize the slide 26, which has a similar format, or an identical format, to the one that Fadi has presented several times and shows these objectives and goals.

If you refer to the earlier slide that we were looking at on the planning process, I commented on the six boxes on the right, and the top two were objectives and goals.  These are the objectives and goals.  We have four objectives and 16 goals, four goals per objective.  And you see an amount of money in each of those boxes, at the bottom of each of these boxes that contains the 16 goals.  And this is an aggregation of the costs pertaining to the programs that make up each of those set of objectives.

So, the objective called "Acclamation (ph) of Purpose" contains four goals called deliver according to internal functions, act as a spirit (ph) of public interest, engaging the IG ecosystem, deepen partnership with iORBS (ph).  These areas collectively are work done through various programs that -- whose costs add up to 15.6 million.  Those programs are cross-functional, meaning that several different departments across the organization are involved in those programs.  Sometimes one department will carry most of the work.  In other cases, a multitude of departments and different people across several departments will contribute to one program.

The slide 27 is just repeating an information that we've already shared in the past few weeks or months that provides a more detailed understanding of what the structure of the ATASC system is.  I will pass on that.  This is another breakdown of the same information, which is the total costs of the organization, including new detailed (inaudible) program, by the way, that are broken down as per those objectives, the four that we've seen before, and now provides a breakdown of these four objectives, total costs by the categories of costs, so personnel, travel and meetings, professional services, and administration.  This is just aiming at provide you -- providing you with an understanding of what data exists, basically, and this is just an aggregation of data that is provided in the Excel spreadsheet at the program level.  This is basically provided at the objective level, and we are

providing in the Excel spreadsheet same format but at the program level, and with more information pertaining to each program.

I just want to point out here that this is providing an overview of the entire costs of the organization, including the new gTLD (ph) program, and that should answer one of the questions that you shared with me, Roelof, but we'll come to it later. The page 29, 30, 31, 32 are only providing the next level of breakdown as per the portfolios of the same information in total.

Page 33 is a new -- sorry, page 33, 34, 35, 36 are providing an overview of the additional SO and AC (ph) budget requests that have been formulated with an overview of answers for those that have been formulated as part of the fast track, which concluded in Beijing, and providing the current requests for those regular tracked requests that have been formulated and that are currently being worked on and being reviewed for a suggested decision to come later.

Page 37, and until page 42, provides an overview of the new gTLD program financials, mainly all the program information rather than annual information. The page 42 provides a breakdown of the total program information by year for reference. I will not go into detail of that. I'm stopping here so that then we can go over the questions that you may have. And I'll let you guys organize how you want to do that.

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| Roelof Meijer: | Thank you, Xavier. This is Roelof. So, I just (inaudible - technical difficulties) we've had in some comments. Maybe you can take some of those, those that you think you can answer, and once you (inaudible - technical difficulties), if you'll (inaudible) provide (inaudible - technical difficulties). |
| Xavier Calvez: | There's an approach. It will work. Roelof? |
| Roelof Meijer: | Yes? |
| Xavier Calvez: | As -- Sorry, Roelof, I heard you speaking, but I could not understand I think a word of what you were saying. And I don't know if anybody was understanding you better than I could. |
| Roelof Meijer: | Okay. Was it the general program? Could anybody understand me? |
| Unidentified Participant: | Roelof, I--. |
| Bart Boswinkel: | --No, I couldn't, Roelof. |
| Xavier Calvez: | Roelof? |
| Roelof Meijer: | Okay. Yes, hello. |
| Bart Boswinkel: | Roelof, could you go on mute, please? Let me try to rephrase what you said, and then you can confirm or adjust it. |
| Roelof Meijer: | Okay, I'll go on mute. |
| Bart Boswinkel: | Xavier, I think what Roelof asked you is to indicate which of the questions you could answer right now and do so, and which you couldn't and say the SOP will put them into the -- say, the public comment period, say, in their submission. |
| Xavier Calvez: | Okay--. |
| Bart Boswinkel: | --Is that good, Roelof? |

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| Roelof Meijer: | Thank you, Bart, spot-on. |
| Xavier Calvez: | And I'm assuming we're referring to the questions that Roelof shared with me yesterday, correct? |
| Bart Boswinkel: | Yes, that's true, because (inaudible)--. |
| Roelof Meijer: | --And the questions that Bart sent to you. |
| Xavier Calvez: | And are those different than the ones that you sent to me, Roelof, or are those the same? |
| Bart Boswinkel: | They are the same, with the addition of one question from Mathieu, and that question -- that question referred to, say, headcount and -- et cetera. |
| Xavier Calvez: | Okay.  So, I will then pull up the questions from -- that Bart shared, because I guess what you're saying is that that e-mail is probably including more questions than the one that I have.  Okay. |
| Bart Boswinkel: | Yes. |
| Kristina: | Xavier, this is Kristina.  If you forward me that e-mail right now, I can paste the questions in the Adobe Room if that helps people. |
| Xavier Calvez: | Yes, let me try to do that with my phone.  Let me just (inaudible). |
| Bart Boswinkel: | Kristina? |
| Kristina: | Yes? |
| Bart Boswinkel: | You should have received them yesterday.  I sent them yesterday around this time--. |
| Kristina: | --Okay, I will find them. |
| Bart Boswinkel: | So, you have--. |
| Xavier Calvez: | --And Bart -- and Bart copied the entire committee, I think. |
| Bart Boswinkel: | Yes. |
| Kristina: | Yes.  Okay, I'll find it. |
| Xavier Calvez: | So, presuming that everyone has the questions, and while Kristina is putting them up on the Adobe Room, the -- so the questions from Mathieu, which are the beginning of the e-mail that I'm pointing out to them now, his questions are focused on the staff increase, plus 40 percent.  I'm not sure exactly what the 40 percent comes from, if it's over two years or one year, but irrelevant.  ICANN is scaling up and that is understandable, but how is ICANN ensuring that these hires are necessary?  Couldn't be avoiding by improving productivity and processes?  It appears that more than 20 out of 60 new staff will join support function.  And I would also like to understand why the scaling up of these functions could not be obtained by improving productivity.

So, I think this comment requires a more in-depth analysis in the comments than what I can provide in the few minutes here.  But, I think the gist of it is that the large amount of the staff increase is driven by new activities which are carried out through the set of hirings to address those specific activities or to start building bandwidth for those activities.  But, there is also -- which is why I think that the |

infrastructure headcount increases to the extent of the 20 that Mathieu mentioned, because we are also investing for those new activities for the expanded scope. We are investing in systems that we are expecting will help us be more productive and efficient than if it would be only with resources.

So, I think there is an effect of the building exercise takes resources. The building exercise currently includes building the systems that enable us in the future to have scalable and automated, where possible, activities. So, that's contributing to the headcount increase, as well as the new activities. If I'm very simply taking an example, and it's only an example, it's not trying to contribute to a variance analysis, if I look in finance, the budget of finance is reducing year-on-year because we are being more efficient at what we do and we're simplifying our processes to try to be more efficient, but at the same time we are increasing the headcount because we have created new activities that require more resources.

Let me take a very simple example. Out of the two headcount by which the finance team has increased in 2013, there's basically one and a half, or one-75, basically, that pertains to the new gTLD program controlling and monitoring of the financial data, either relative to the costs or relative to the investments. This is new activity. We wouldn't have the program -- we wouldn't need these headcounts, as simple as that, and that replicates vastly throughout the entire organization.

I will try to see how we can provide maybe a little bit more substantial information, but at the same time I want to make sure that I point out, back to the slide page -- let me -- sorry, I'm trying to go back there quickly to the slide that appears on page 22, which provides the certain understanding of headcount variance by the big areas of changes between the two years, and that's partially where Mathieu has taken his figures. But, I still wanted to refer to that because it provides discernment of understanding of the 40 out of the 60 that Mathieu mentioned.

I will move on to the next question. Roelof is -- someone wants to join in, or to chime in? Someone has unmuted their phone, and we have a lot of background on the call. Thank you. I will continue. Roelof's remarks and questions, who will -- so, Roelof starts with, "This is a strong improvements over previous ops (ph) plan, welcomes (ph) the structure, provides a good insight and general (inaudible) with allocations. Then, the dollar amounts to receive and spend, still very few metrics can be found in the plan." So, I think that the certain of (ph) information relative to metrics is available in the Excel spreadsheet. That's not been replicated in the PowerPoint -- in the PDF document. And I would suggest that you go into the Excel spreadsheet to retrieve that information on a program-by-program basis.

I don't necessarily think that the metrics in this document, which are normally provided for all programs, are always sufficiently precise, and we are working at refining those metrics as we use better the system, which is an ongoing education process that the entire staff is going through and will continue to take time. We're really at the very beginning of using this system, and learning through using this system as an organization.

I think the value and the advantages that metrics are part of what the system enabled once second metrics are a requirement for programs and projects for any staff member who creates and manages a program. As a result, we are making this a requirement in the organization, and we are expecting to get better and better at formulating them. So, I think we're going in the right direction and have taken a good start at this exercise.

A large number of goals are formulated as non-smart (ph), and this is the next -- is the next comment from Roelof. There's somebody who's unmuted, and it provides a lot of background on the call. Thank you. Roelof mentions an example, five million expenditure in the policy (inaudible) and process should have a better measurable objective than to optimize it. So, without necessarily disputing the reality of that, what we are -- we're going to need to think through is that, if you look at the programs that make up that specific objective, I think there's a more precise understanding of what is aimed at achieving with this.

However, I would jump on your comment, Roelof, to say that the goals as they are formulated, to your point, are not necessarily smart in the sense of specific, measurable, actionable, repeatable and timely. But, I -- and I think this is something that we're going to need to evolve, notably as we are redesigning the strategic planning part of -- sorry, the -- yes, the strategic phase of the planning process, which is what we've been missing this year, as you all know, by design, as decided in Toronto.

But, obviously we are missing that upstream phase today, and we need to ensure we have it designed and implemented in the planning process so that the why and what we are trying to achieve at a high level as an effective lever (ph) is much more clearly documented and formulated. And as a result, I would expect that, with that implementation, the logic of those objectives and what we are trying to achieve will be more clear then.

Roelof Meijer:     Xavier, let me give it another try. Can you hear me now? Can you understand what I am saying?

Xavier Calvez:     Yes, very well.

Roelof Meijer:     Oh. Oh, that's good. Just a clarification on this particular issue, and I think I've made it before, some time ago, I think one of the roles of the ICANN Board is to assess, at the end of a fiscal year, if ICANN has managed -- and I mean ICANN the organization, not ICANN the whole environment -- if ICANN the organization has been performing as planned. And for that, also on a high level, you need measurable objectives. And this is when -- why I gave this particular example, because it will be a discussion that goes everywhere if, at the end of a year, (inaudible) has to use ATASC to assess if ICANN has wisely spent the $5 million on optimizing the PDP, or if the PDP has been optimized in the right direction or enough.

So, I don't think -- but I -- you seem to be agreeing with me in your comment. I don't think that measurable objectives or metrics in the ATASC system, they will be very detailed. I think you need metrics at a very high level, as well. That was the point I would like to make.

Xavier Calvez:     And you make it simple. I agree with you.

Roelof Meijer:     Oh, that's good. And it's a comment that we will also put in our public comment.

Xavier Calvez:     Understood. And ATASC, to your point, I think it's helpful to say that you can conclude on that by saying ATASC is not a strategic tool for measurement of the organization's objectives could be achieved or not. ATASC is a daily management monitoring system. It's a tool for Fadi, in simple terms, to understand what is going on in the organization, to ensure that the organization delivers and progresses along the process and programs that it is working on. It allows him -- it is designed to allow him to possibly re-prioritize based on an understanding of the workload and the resource availability, or lack thereof, on a daily, weekly, monthly basis. So, it is a management monitoring tool which never existed before and enables the organization to do a much better job at the

delivery and the measurement of achieving those objectives. So, it's a management tool. I think it will be very helpful in the context of understanding whether our objectives as an organization have been delivered, but it's not -- it's not how it needs to be measured. It's only how -- going to help, in my views, having that understanding that needs to be formulated at a high level as well, and I entirely agree with you, Roelof.

Then, we move on to the next page -- sorry, the next question from Roelof, page -- sorry, page eight, focus on the transformation of the organization towards operational excellence. It would be interesting to get some more concrete goals and achievements there. Similarly, Roelof, I'm assuming that, if you look at the programs that make up that specific objective, I think you will have a more concrete understanding of what it contains. These programs are associated with an owner, a (inaudible) description of it, the timeline for it, the metrics for it.

And I think the -- that information -- that level of granularity of the information will provide you with that understanding. And I -- when I say "will provide you," I'm expecting it would at least contribute to it, but I definitely -- I'm looking for feedback from everyone, including notably this group, to understand how effective the information that we provide is at providing that understanding of concrete goals and achievements, because part of the objective of us sharing this information is to ensure that it does provide the public and the interested parties in the ICANN community with adequate information for that understanding to be complete and as clear as possible. So, our objective in sharing this information is transparency, is accountability, and we need to make sure that we are achieving that objective with sharing this information and for feedback on that very point will be extremely helpful.

Page nine (inaudible)--.

Roelof Meijer:          --I will do what you suggest, Xavier, and I will give you feedback on that.

Xavier Calvez:          Thank you, Roelof. Page nine, DNS industry engagement organization, what is this? the DNS industry engagement is a generic word that we're -- or description that we're applying to what used to be a department that were not necessarily connected to each other very well, which are the registrar liaison, the registry liaison, the IDN (ph) Group and the stakeholder engagement group.

So, it's basically in the old organization, the departments that (Inaudible) Fritz (ph) supervised when he was there. This is a group now supervised by Cyrus Namuzi (ph), who is heading that group. And it's basically the DNS industry in this respect is currently only focused on the registrars and the registries, though I think there have been discussions about the fact that it should include the CCs. I'm not trying to go into that debate right now because we don't have the time, but I think that discussion has happened before.

Page 11, the (inaudible) should contain and focus on objectives and targets for the specific year that are directly derived from and can be clearly related to the multi-year strategic objectives. I -- if I understand correctly at this point, I think we've kind of discussed it a little bit earlier in the previous two questions with Roelof. I tend to agree. I think, again by design, we had a little bit frozen the strategic planning process this current year, and to give ourselves the time to develop and design an updated strategic planning process whose objective, in my view, needs to be able to clearly lay out that link between the strategic objective, how these objectives need to delineated by year, and how the ops plan basically supports the achievement of those objectives on an annual basis. So, I agree with that point, your comments in that respect, Roelof, not that they are new, but repeated, do help certainly me in making the point that this is how we need to formulate in the organization, going forward.

Page 14, the forecast change in net assets new gTLD program is 92 million. Revenues should be reported in the same period as costs are incurred. This would suggest that the cost of the new gTLD are much lower than expected. Okay, there is a long answer to that question, which unfortunately we don't have much (ph) time for. So, I will try to be very short and very simple to the expense of not necessarily being clear, and I will try to come back to that in writing.

The substance is the revenues are determined in proportion to the evaluation costs, but it's not an equal proportion. It is proportional to the progress of the costs. So, what we are looking at is the entire evaluation costs of the program and, when we are at any month-end, that we have both evaluation costs. We look at what proportion of evaluation costs have been incurred to date in respect of the total amount of evaluation costs. This gives us a percentage, and that percentage is applied to the amount of revenues so that we recognize a similar -- an equivalent proportion of revenues for the program.

The consequence of this is that, while the revenues are aiming at covering all the costs that -- sorry, all the costs of the program across its entire life, the -- and therefore include notably the risk component that had been designed into the revenue cost -- revenue -- the application C (ph). Basically, while we -- the revenue includes all those components, the costs that have currently been incurred mainly include evaluation costs, and as a result exclude for now -- right now they exclude any -- or not any, but they exclude a lot of risk costs that have been assessed as part of the program but have not yet been incurred. And from an accounting standpoint, we cannot recognize those costs before they materialize, before they are effectively incurred, but at the same time we cannot not recognize the revenues in proportion of the evaluation costs.

So, I think this needs more explanation and a bit more documented explanation, and I will try to provide it in writing, as well, because that's the reason why we recognize currently more revenues than costs, is because there are costs that have not yet been incurred and are expected at some point in the future to potentially be incurred, and that we are basically creating reserves to face these costs in the future.

Roelof Meijer:     Okay, that's pretty clear, Xavier, but I'll await your longer answer, but this was already a good clarification, I think. Thank you.

Xavier Calvez:     Okay. By the way, I do expect we're going to talk a lot more about that very subject, because e-mails that come out of that revenue and expense recognition methodology, basically, are very significant to your point.

Page 23, is the huge increase in staff necessary, justifiable? Can it be managed without a reduction of the productivity per capita? I think we started talking a bit about this earlier. What I need to do is probably think a bit more as to a good way to try to answer that question in a sufficiently specific and substantial manner rather than with very general comments, so I will table that question to try to provide to it a (inaudible) answer and understanding of how their recruiting is being formulated, the rationale for the position, what are the -- what is the process in the areas of significant increase that appear out of the page 23. I think, when you focus on those, it provides at least a general understanding of why those resources are needed. But, I think the question is timely, relevant, is logical, and needs to be addressed.

The -- page 28, the "Holy Cow" is an Americanism that we can qualify very colorfully in different languages. I will pass on the French. The bottom line is that, Roelof, the 54 million that you're referring to, which is pertaining to operations excellence, is as high as it is because it includes the new gTLD

program. So, this is part of the reason why we displayed the slide that is on page 28 in the fashion that we did. You can see that, out of the 54 million, 45 million correspond to the new gTLD program because this is the evaluation panels that evaluate the applications. So, the -- and those costs that appear on that page are more clearly represented in the new gTLD section of the document that is under pages 38 and following.

Roelof Meijer:         Okay. Xavier, just a clarification on my (inaudible), please. So, although it is under operation excellence, this is about the new gTLD program.

Xavier Calvez:         Absolutely--.

Roelof Meijer:         --Evaluation.

Xavier Calvez:         Absolutely, because these new objectives and goals of the -- as explained in the last management monitoring system in ATASC are designed to capture all of the activity that the organization carries out, which includes the new gTLD program, as a result of which you can see that the page 28 totals up to 142 million (ph), which is not the -- just the ICANN operations as opposed to the new gTLD program. It's both together.

Roelof Meijer:         Okay, I (inaudible) that one. I know that ATASC has both activities in it, but I misunderstood. Thank you for that clarification. So, (inaudible).

Xavier Calvez:         Yes. And the page 50 -- the page -- sorry, the page 28 that you're referring to breaks down that 54 million that you're pointing out to between the 9 million for the operations and the 45 million for the new gTLD program. It's very clearly laid out there so you can refer to it.

                       I don't think there's really a question in page 29 other than understanding what makes up that amount. Effective business operations, again, when you look at the programs that make this up, I think this answer your question on page 30. And if it's not, then I think it would be helpful that you reformulate the question and maybe precise (ph) it, because when you look at the level of the programs that appear on the spreadsheet, you will have a much more granular understanding of what's in there. And I think that, though not exactly the same questions, that page 32 is also better -- sorry, the question on the page 32 is also at least partially answered when looking at the detailed program that make it up.

                       So, we're at the end of the questions from Roelof and Mathieu. I apologize, but I need to run because we're at the end of our hour, and I need to get into another commitment. But, I'm hoping that it was helpful, and obviously those questions that you may have that have not been discussed here, I'm also expecting them to appear as part of the public comment along with these questions. And I will try to make sure that I provide consistent written answers to those questions that we have discussed today and to those that we have not, and that you will provide as part of the public comment process.

Roelof Meijer:         Thank you very much, Xavier, for making yourself available and for the useful comments and observations (ph) you supply. Thank you.

Xavier Calvez:         Thank you, everyone, for the opportunity, and we'll be speaking to you or seeing you probably soon, no later than Durban.

Unidentified Participant: Yes, you will, Xavier.

Xavier Calvez:         Thank you.

Unidentified Participant: Thank you, Xavier.

| | |
|---|---|
| Xavier Calvez: | Thank you, bye-bye. |
| Unidentified Participant: | Thank you. |
| Unidentified Participant: | Bye. |
| Roelof Meijer: | Okay, everyone.  Bart, I think that we will be in touch very soon with the group so that we can start working on our comments for (inaudible) period. |
| Bart Boswinkel: | Yes.  I think -- and say -- one of the questions, say, that came up during the call is whether we want to submit already, because, say, if you've noted, some other members of the SOP had submitted other questions after we sent these to Xavier.  Whether we should send questions in already, and so it enables Xavier to answer them as quickly as possible, or that we should compile all the questions and comments, et cetera, for a final comment, because, say, as you know, there's quite some time between, say, submitting the questions, et cetera, and submitting the final comments of the SOP.  But, this is probably something we need to discuss. |
| Roelof Meijer: | My suggestion would be, Bart, that since those questions were sent to us for this particular session, that we just forward them to Xavier, and we tell him that, if there are questions that he can directly answer, could he please do so.  And if not, we will make those points also in our comments -- in our formal comments that we will start writing.  Is that (inaudible)? |
| Bart Boswinkel: | Yes.  But, let's discuss, say, over the next day or two, say.  So, I'm less -- or you can call me tomorrow and we'll discuss it. |
| Roelof Meijer: | Okay, I'll do that.  So, unless anybody wants to make -- or somebody wants to make another point, I would like to thank you all for being on this call, and you'll hear from Bart and me.  So, sorry, I hit my mic off, I think, unless--. |
| Bart Boswinkel: | --No, you haven't--. |
| Roelof Meijer: | --Has a point to make, thank you very much -- oh, sorry.  I'll (inaudible). |
| Unidentified Participant: | Okay.  Bye-bye all. |