

**ICANN  
Transcription  
New gTLD Subsequent Procedures PDP-Sub Group B  
Tuesday, 27 November 2018 at 20:00 UTC**

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Julie Bisland: Great, thank you. Well, good morning, good afternoon, good evening, everyone. Welcome to the New gTLD Subsequent Procedures PDP Subgroup B call held on Tuesday, the 27th of November, 2018. On the call today we have Cheryl Langdon-Orr, Christa Taylor, Jessica Hooper, Jim Prendergast, Juan Manuel Rojas, Phil Buckingham, Rubens Kuhl, Susan Payne, and Vanda Scartezini. Sorry, Vanda. From Staff, I have Emily Barabas, Steve Chan, Julie Hedlund, and myself, Julie Bisland. Is anyone only on the audio bridge right now?

Sarah Langstone: Hi, Sarah Langstone from Verisign just on the audio bridge.

Great. Thank you, Sarah. And I just want to remind all participants to please state your name before speaking for recording purposes, and please keep your phones and microphones on mute when not speaking to avoid any background noise. And with this, I'll turn it back over to Christa Taylor. Please begin.

Christa Taylor: Thank you. This is Christa Taylor for the record. I'd like to thank everyone for joining us. We sent out the agenda yesterday, and you can see on the agenda there's four items. I'm going to kick it off with item one, which is just simply welcome and review of the agenda, and if anyone would like -- or to suggest any changes to the agenda. Hearing no changes, I'm going to jump into item number two, which -- to see if there's any update to the statement of interests. Hearing no changes, we'll jump into item number three, which is the discussion of the public comment on the 2.5.1 application fee. And this is a continuation from the last call, and hoping that everyone has the link, and if not, it can be found in the Adobe Connect room.

So, I'm going to wait -- several items were, as I mentioned, already covered on the last call, and hoping everyone had a chance to review the materials ahead of time. But I'm really just going to, I guess, kind of review last week's just because we didn't finish off that one topic. And I think a little bit of background is only -- is kind of necessary to make sure that we have the full picture, going forward. So, I'll do it fairly quickly so we're not repeating for those who attended the last call. Jumping right onto the first item, which is 2.5.1c.1, and the question is, "Work Track 1 is considering proposing that the new gTLD program continue to be self-funding where existing ICANN activities are not

used to cross-subsidize the new gTLD application evaluation, pre-delegation, and delegation processes."

And as we can see, the brand registry group agreed with this. This has (inaudible) -- I can never say that word, my apologies -- let's just say the BC also agreed with our recommendation. INTA also agreed with the recommendation. Valideus also agreed with it. And finally, MARQUES also agreed with it, but also made the comment that you can see in orange there, that the \$185,000 fee in round one deterred many interested brand applicants. And that's going to tie in a little bit later, but the application fee -- but overall, they do agree with the self-funding aspect.

So, kind of jumping into the ALAC's comment, where they say they do agree, but they also have the new idea that it should include contingent programs, such as the expansion of a contract compliance capability. So, there's a new idea there that hasn't been discussed before. I'm going to just keep on going a little bit further, and then we can bring up some comments there.

So, the next comment is a longer one by Neustar, and they are suggesting that -- I guess the new idea is Neustar believes that the most pragmatic approach, reassigning the nominal application fee, is to maintain the \$185,000 fee used in 2012. Now, this would be contrary to the revenue-neutral aspect of it in terms of what that -- setting up that initial fee would be. But on the flip side -- and they're turning around saying the amount in excess should be refunded, but not until after the completion of the third phase of the application process. So, they do agree, but on the flip side, they're not aligned with the complete amount in the upfront cost being set at \$185,000.

So, the other aspect to consider, which I think might be an appropriate method to deal with it, is the parking lot concept, where the ICANN costing process and methodology needs to be reviewed to ensure better accuracy. And we're going to see that in multiple times throughout all of this, so I think that is one of the aspects that we will have to address at some point maybe at the end, once we have kind of all of those ideas contained under one umbrella, so to speak.

I'm just going to move to the next one, and there's only two more comments for this section, which is the registry stakeholder group. They have one new idea, that it's just not only includes application evaluation and delegation activities but should also include other efforts around universal acceptance, applicant support, and security and stability. Now, those two items are more related to the other section, which is 2.5.1.c.4, so I think we should probably address those there. But one of their concerns also is that ICANN should not arbitrarily shift staff to the new gTLD program just to cover staff and salary and benefits. Additionally, they say nor should the new gTLD program be an excuse for ICANN to grow headcount on a long-term basis. So, this is a concern. It's not really a direct response to the idea of this question, but something that we should address in some method or to take back to the larger group to address to make sure that all the costs are fully reflected.

And then, finally, and then I'll stop to get everyone's comments, is the last item, which is MarkMonitor, which proposes the new idea that, to ensure the security and stability of the DNS, the financial capability and -- sorry -- needs to include that. And they also suggest that the flexibility to employ a combination of these two factors might be appropriate for some applicants, especially those whose unique corporate governance, financial reporting, or intellectual property ownership structures may hinder clear evaluation of the applicant's true financial capability.

And that might be an item for item -- or section 2.7.7, which -- sorry, I should have the reference here easily -- which deals with applicant reviews, which means going a little bit

further in the review process to consider other aspects and a little bit of flexibility there, which I think is what MarkMonitor's implying.

So, that's kind of an overview of the first question. I'll just refer to it as C1. Going to the comments in the chat, Kathy Kleiman says -- and sorry if I missed the top, one second -- do we know how much it costs to process an application in round one? So, we don't have those costs in any exact amount from round one. Jim says the application process portions were -- of the 185 were \$100,000. And Anne (ph) says not sure what the actual cost was. Vanda suggests, "I guess ICANN will have just an approximate value, because we never know how many new applicants will show up." I think you're referring to the application fees, going forward. But I would be hesitant to suggest that we're going to -- or the fee would be \$185,000, because it needs to undergo a costing exercise there. And I think that's why we're not referring to the \$185,000. It's why we're saying it's revenue-neutral. So, it could be \$125,000. It could be less. It could be any number. It could be above the \$185,000. But the point is we're suggesting it should be revenue-neutral. Cheryl, see you have your hand up. Please go ahead.

Cheryl Langdon-Orr: Thanks, Christa, Cheryl Langdon-Orr for the record. Hopefully you can all hear me. I just wanted to ask you how you wish to deal with the differences between what seems to be -- and I'm supporting the parking lot idea you proposed, Christa and Rubens, that there's an indication even at this level of our review that an analysis of costings as to what it means to be revenue-neutral is important. There's an awful lot of knowns and unknowns, as well as in the unknowns guessable or predictable unknowns, and those that you can have no idea about in these processes. So, a degree of flexibility is almost inherent in these sort of things.

But you've also got -- so that I'm just being supportive of. You also have these other allied comments, which I suspect you might want to put into a different type of category, and that's one, for example, where registry stakeholder group makes its point about the staff, shifting of staff and a comment on headcount. That's not our job. That's really not a recommendation that I'd believe, at least, this PDP should be tasked to look at, to be honest. That's sort of an edge comment, but it still needs to be captured somehow. So, are you going to have a document, or another parking lot, which simply lists additional issues that were raised in the public comment? And if so, are they just going to be punted in toto to the full working group? That's really a process question, that's all, but I'm asking it now because you need to sort it earlier, not later, in the process. Thank you.

Christa Taylor: Thanks, Cheryl. I would propose that we add it to "Additional Items" and then circle back on it, but Michael first, and then Kathy second, and then unless -- actually, let me just reverse that a bit. Steve, I see you have your hand raised, which is probably in direct response, so I'll let you go first, and then Michael, and then Kathy. Thank you.

Steve Chan: Thanks, Christa, this is Steve Chan from staff. It's not actually directly in response, but it is contextual, so I guess that helps set the stage for what we're doing here.

So, this sheet that you're looking at and the Google doc, if you're in that document instead, it probably looks a little bit different this time. It's a little more, hopefully, robust in nature. So, I guess I just wanted to explain quickly about what we've done. So, the leadership team and staff have tried to do a little bit more of the pre-work. This is not set in stone. It can change, of course. But what we've tried to do is make it a little more clear and to help facilitate this discussion. So, to the extent that the comments follow into the four categories of concerns, agreement, new idea and divergence, we've tried to color-code the relevant sections of the comments, and then also to try to populate the working group response aspect, as well, to the extent we can do so, which is generally just, if it's agreement, that we say thank you, and we'll take that into account in formulating final responses or recommendations. But for the other ones, it's more about forwarding that

concern or new idea or divergence over to the full working group for their consideration in formulating any final recommendations.

So, yes, it was just a context thing to just make sure that you're all aware that the leadership team and staff have tried to fill this out a little bit more to help facilitate this review. And I just can't reiterate enough that this is not final. It's just to hopefully facilitate the discussion. So, if it needs to change, it can obviously change. Thanks.

Christa Taylor: Thanks, Steve. And sorry, I should have mentioned that. Kathy, please go ahead.

Kathy Kleiman: This is Kathy. Can you hear me?

Christa Taylor: Yes.

Kathy Kleiman: Okay. So, great. So, thanks for walking us through this. I have questions. So, if we're -- I'm trying to get my hands around this, and again, apologize if I missed something in the introduction. So, Neustar is supporting keeping it at \$185,000. Jim in the chat room said \$100,000 was really the estimated review fee for the application. I think that means that \$85,000 went into a legal fund. So, again, asking the question, "What do we know about actual costs," because we've got some people supporting revenue-neutral, we've got some people supporting a fixed fee. The cost to enter this, the cost to apply, is going to determine kind of who can do this.

And then, with ALAC, I was wondering, this idea -- this new idea that it should include contingent programs, such as the expansion of contract compliance capability, shouldn't we be putting a number on that, too? What does that mean? Does that mean that now the application fee should cover GDD? And if so, what -- I mean, what would that do to the application fee? What types of costs are we talking about? Can we begin to put some real numbers around this? And if we don't have them, can we ask ICANN org? Because as you know, there were multiple teams engaged in a parallel process of reviewing the applications for operational considerations, technical considerations, financial considerations. And they got it down to an art, is my understanding.

And so, we have a pretty good idea what it costs to do this. We just don't know it, but someone has that number. Thanks.

Christa Taylor: Hi, Kathy. Yes, so we're kind of taking it more at the higher level as opposed to the actual costs, and in Work Group 1 we did spend quite a bit of time on perhaps the best approach and the breakdown of what those costs were. But ultimately, we couldn't get the actual costs, but -- or to take a step back and say, regardless of what that is, we would still have to undergo a costing exercise for the next round in order to be revenue-neutral. And how that is incorporated, regardless of what the actual amounts are, so to speak, are expected to be under, I guess, \$185,000. But we've done the high-level approach and just said let's just call it revenue-neutral. No matter what would happen, it would still have to go ahead and do that exercise. So, I'm not sure if that helps or not, but hopefully it does, and I'll let you come back while I give the floor to Michael. Please go ahead. And if you're speaking, we can't hear you. Go ahead.

Michael Casadevall: Testing. Is my mic working?

Christa Taylor: Yes. Yes, you're good. Thanks.

Michael Casadevall: Can you hear me now?

Christa Taylor: Yes.

Michael Casadevall: Okay, perfect. So, my two cents here is there's a lot of divergence on how variable fees should work. My concern here, and reading through the comments, I think we need to have set dollar amounts that -- before, and then note when those fees go up so that money can be put in escrow, and then the excess can be returned to the applicant. Because basically, if we go down the variable fees road without putting a solid dollar number to it, it's going to create a lot of confusion and lack of transparency in the process. So, if that was discussed before, I apologize. But, basically, I think, looking at these comments, the way forward here is we get some actual dollar amounts, we set those as a floor, and then have a procedure of, if the costs exceed, this is how we handle it. That way, we have the transparency into the costs. We can cover the special cases as handled in reduced costs for certain applicants and make sure the process stays revenue-neutral in a very transparent sort of way. Agree, disagree?

Christa Taylor: Jeff, I'll let you -- I'm sorry, what are you asking everyone?

Michael Casadevall: Well, I'm just wondering if there's any -- if that sounds roughly in line with what people are reading, or if that's just -- or if I'm completely off base.

Christa Taylor: So, I think if you're asking everyone to not move ahead until we set or know what that actual application or revenue-neutral amount would be, I personally don't think it makes a lot of sense because, A, you have a timing issue now when the application program would launch; B, you have a timing issue on the amount of time it would take for us to go through all of this; and C, that number's going to change depending on a bunch of other factors, along with including just the whole program itself. So, I'm not sure if that would make sense at this point, but let me turn it over to Jeff, and maybe he'll have (inaudible) too, so please go ahead, Jeff.

Jeff Neuman: Yes, hi, I actually -- this is Jeff Neuman -- but I was not going to talk about that comment. I was going to raise up something different. Steve's got his hand raised too, so maybe go to Steve, and then I'll jump in with my new comment.

Christa Taylor: Steve, please?

Steve Chan: Thanks, Jeff. Thanks, Christa. This is Steve. And you guys are being so kind in letting me jump ahead of people.

So, actually, I just wanted to make a point, or I guess draw an emphasis about what this exercise is intended to accomplish. And by this exercise, I mean the review of the public comments. So, the intention here in the subgroups is not necessarily to talk about what our opinions are of the recommendations, or even what we think of the comments themselves, whether or not we think the concerns or the new idea are actually a good idea or even a valid concern. It's more about what we think is needed to be referred to the full working group. And so, that I believe is the extent of what we're intended to do here. And I say that partially because it's easy to jump into the weeds and start talking about how you think about things, but the scope of how many comments we need to review is extensive. So, I'm trying to remind us to stay on course here to make sure that we are actually able to accomplish what we're intended to do.

So again, the way that these -- the column on the far right is phrased, it's more about trying to pull out what the nature of the comment is so that the full working group can consider it. And then, the other thing that we would potentially want to do is to try to identify themes of -- where there's a number of different comments that have the same concern or the same new idea so that it's easier to consider by the full working group. And yes, actually, I think that's all I have. Thanks.

Christa Taylor: Thanks, Steve. Jeff, please go ahead.

Jeff Neuman: Yes, thanks. I mean, I just wanted to make a quick comment on -- all these comments are in the scope of the way that the initial report was written. To the extent the ALAC or any other comment deviates from that, that doesn't make it necessarily that the content of the report changes. So, in the report, it clearly defines the application costs as being those costs from the moment in which I think the program is launched until the moment a TLD is delegated. It's not intended, at least according to the report currently, it's not intended to cover GDD or Compliance or anything else. And I know the ALAC filed a comment saying that it should, but at this point, in line with what Steve is saying, our role is to really just see if there are patterns and things suggested, but it's not to make assumptions that any one of these new ideas or comments are going to be adopted. Thanks.

Christa Taylor: Thanks, Jeff. Kathy?

Kathy Kleiman: Sorry, coming off mute. Jeff, that was actually really helpful. And to Steve's question, yes, we have lots of comments, but kind of how we create a path towards working on them. I think if we talk about it now, we'll have a clearer path, going forward, for all the other comments. And to Cheryl, I'm not trying to pick on the ALAC comment, but this idea of new idea, so forgive me, but it just happens to be a really good one.

So, based on what Jeff just said about what the scope was of the question, and based on what -- the question I raised, that potentially including this new idea from ALAC about including contingent programs, such as the expansion of contract compliance capability, could add millions. It could dramatically change the dial on where an application fee is. Can we include when it goes up to -- can our notes include what Jeff just said, that this may be out of scope for the question, that this type of expansion, a -- the sub-team -- because we don't want everybody having to recreate the wheel, right? We've done a good discussion here. We've figured out that this is a new idea, that this could be extremely expensive, that it may be out of scope of the intended original question. Why don't we put that in the notes so that, when the working group reviews it, it has the benefit of this discussion? And that may make it move much faster when it hits us. Thanks.

And also, the idea that some of us really want tangible numbers, and that there may be tangible numbers that can assist us, at least in ballpark, floors and ceilings, as Michael said. Can we include all of that in the notes and push it up so that, when the full working group sees it, they have the benefit of all that? Thanks.

Christa Taylor: Thanks, Kathy. In Work Track 1, I'm sure it is full of notes on trying to get those numbers and having some kind of method, or any kind of insight in there. And I've honestly hit this wall with my head I don't know how many times in the last year and a half. It just -- I've stopped hitting it, and my apologies if that isn't coming across correctly. It would be very helpful to have those numbers, but we don't have them, and I can't even get the insight in there. So, I know -- I've stopped hitting my head, so all good.

Going back to the comment, we could say do we agree that this one item on the ALAC saying it should include contract compliance, as Kathy said, it's out of scope and move on, or would we like to discuss it or make some kind of, I guess, issue of it that we think we should bring back to the full group? I see a lot of people are typing. While everyone's typing, I'd like to add in one item. And you're going to see it later on, but I thought it was fitting here. And it's in item -- section 2.5.1.e.4, and it was brought forward. It's in one of the little comments of Alexander Schubert that says the application fee should be set at \$500,000 to reduce the number of applications and processing time. So, we can address it again there, but I thought it was also a little bit fitting here, so I thought I would bring it up. So, I'm seeing no comment, so I'm just going to perhaps move to the next section. So, make a note, as you said in the chat (inaudible)--.

Jeff Neuman: --Hey, Christa, this is Jeff.

Christa Taylor: Oh, sorry, please go ahead, Jeff. Sorry, I didn't see your hand.

Jeff Neuman: Yes, thanks. My computer's being all weird on me (inaudible), so I didn't know if the hand raised or not. I want to -- I haven't reviewed all these comments fully, but were there any other comments that supported the notion of changing the time period of when we should measure costs, or the application period? I think it's important to note that. So, it's important to note that there's a new idea from the ALAC (inaudible) support in the comments for changing the definition of how you measure the costs, or it's also good to ask people on this call to see if there's any (inaudible) on that. That should be reported to the full working group, because as long as the definition of the period in which we measure the costs for the -- recovering your costs are revenue-neutral, as long as that remains what it is in the initial report, then it is -- then the ALAC's comment, while interesting and new, it doesn't -- it can't be adopted. So, thanks.

Christa Taylor: Thanks, Jeff. You didn't read all these ahead of time? Sheesh. So, yes, it does -- some other sections do address the timing issue, and they bring up on when the costing exercise should be reviewed on a periodic basis and when that should occur, along with a continuous application process. I see two hands up. Michael, please go ahead.

Michael Casadevall: Just a direct response to Jeff. I can't remember which working group it was in. I think it was A. There is quite a lot of comments regarding moving to a rolling model of having gTDLs (sic - gTDLs) always open to direct response. I don't remember any comments in reviewing on specifically when the costs should be reworked, but I don't think that was asked in the initial report because we weren't looking at moving to a rolling model. So, that was just the two points I wanted to respond to Jeff on.

Christa Taylor: Great, thanks. Jim, please go ahead.

Jim Prendergast: Yes, thanks, Christa, Jim Prendergast. So yes, to Jeff's point, I think there's a couple things. One is it'd be good to have an opinion from ICANN, I don't know if it's Xavier (ph) or somebody else, on what they consider sort of the horizon for the costs associated with the new gTLD program. I'm under the impression, and as I recall from some of Xavier's recent budget reports, that they are still factoring in costs associated with the 2012 round. So, six years later, they're still incurring costs that they are drawing down from the excess revenues on that.

The other thing I'll just throw out there for consideration, and it sort of points to where my head is, is that, yes, one could argue that compliance is an ongoing function that should be funded out of ongoing registry fees and registrar fees that ICANN takes in as part of the overall compliance program. One could argue that any surplus that's out there, maybe a one-time infusion to compliance efforts that could be spread out over time may help.

But I definitely think there are issues that have surfaced specifically related to the new gTLD program that should be funded out of the new gTLD program, things like universal acceptance that's been mentioned a few times. I know it was in the registry stakeholder group comment. That's an issue that came to the forefront as a direct result of this program, and efforts to address that I think should be funded as part of that program. Otherwise, ICANN has sort of put it out there, that here's a program, and oh, it may or may not work, and registries and applicants and operators, you're on your own on this one. So, I'd put that out there for consideration. I'd be happy to make the same comment as we take this up at the plenary (ph) level. Thanks.

- Christa Taylor: Thanks, Jim. And I think you're going to see some support in a couple more sections here. So, Jeff, I see your hand raised. Please go ahead.
- Jeff Neuman: Yes, thanks, take off my Chair hat right now, and just as an individual making a comment, I disagree with Jim a little bit on universal acceptance only being a new gTLD issue. It's actually been around since .info was launched in 2001, and (inaudible) just today with country, with the IDNs, with country codes and IDNs from a fast track. So, I think it's an ICANN-wide issue as opposed to just a new gTLD issue. Universal awareness, that might be different. Universal acceptance I think is an issue that's been around since the beginning.
- But, be that as it may, the two main points of this are the Board -- the ICANN Board has asked us -- I think this was in their notes. I'm getting so confused as to which letters I've seen this in. But, I'm pretty sure it was the Board, either in their letter to the initial comments or in a face-to-face discussion, the Board did ask us to define when the program starts and when the program ends for purposes of determining costs. They (inaudible), as Jim said, there are a whole set of costs now that ICANN org is just delegating to the new gTLD program whether or not we think it's related to the program as a community. So, it is very important for us to provide that definition.
- And part of that definition also would then be do you measure -- when determining how much an application (inaudible), is it from the time period it's submitted until the TLD is delegated, which is what the report says, or is it something different? I agree with Jim personally, that the compliance and other stuff is part of the -- it's already part of the \$25,000 minimum fees that registries pay on an ongoing basis, so I don't think that should be covered here. And then, Jim points out that nothing was done on universal acceptance until new gTLDs were brought on. And I concede that point, though I will draw his attention to a letter I filed in 2005 or 2006 with trying to get something done when .info was having a problem and .biz was having a problem. Thanks.
- Christa Taylor: Thanks, Jeff. I'm going to take a step back and remind everyone that we really need to get through the materials, and we all have our opinions, and we all -- we need to share them for sure, but we still need to kind of get through some of the comments here and get some of the themes, and kind of move forward on where we're going. So, Jim, did I just discourage you, or--?
- Jim Prendergast: --I'll just -- I'll put it into chat.
- Christa Taylor: Okay. So, I'm going to move forward to section 2.5.1c2, and -- sorry, I've now lost my place because I was moving around. In addition, the Work Track generally believes that the application fee amount should continue to be based on the revenue-neutral principle, so accuracy should -- sorry, one sec -- sorry, the accuracy should be improved to the greatest extent possible. Although the 2012 new gTLD applicant guidebook remains silent on what should happen with any excess fees obtained through the application process, the Work Track is leaning towards recommending that, absent the use of an application fee floor described in three below (ph), excess fees should be refunded back to applicants. If a deficit arises, the Work Track considered several options -- see below - - but there seemed to be support for ICANN recovering the majority of funds in future TLD application windows.
- So, in the -- from the brand registry group, they agree with that. The XYZ, it agrees, but one item that it mentions further is -- on the new idea is excess fees in -- and auctions. So, they say ICANN must take into consideration the future revenue that ICANN will take in form of auctions and increased registration volume when setting the initial application pricing. Then, we have Neustar that pretty much is a duplicate comment from above, but they agree that the fees should be returned to the applicant. We have the

registry stakeholder group. They are agreeing, except there's two new ideas. The first one is should identify programs and initiatives within the new gTLD program to use the excess funds, including universal acceptance, applicant support, and sustaining ICANN compliance efforts.

And again, I'm going to add that to the parking lot on section 2.5.1.c.4, because it's referring to how the funds should be used. The other item there is the process of handling excess fees should be clearly articulated to applicants prior to the application fees and applications being submitted to ICANN. This, again, is going to go, from my perception, to the short- and long-term costing methodology that needs to be employed by ICANN, and it also needs to be really transparent to all. And I think we're going to see that theme consistently through all of this.

And then, the final comment that they suggest is that there should be a preemptive declaration of the funds prior to determining if the funds are, in fact, excess. And then, for requests made of ICANN that are made within the remit and bylaws, this reserve should be considered. So, that one hopefully we'll come back to comments at the end of the section. Valdeus, they agree. They suggest a segregated fund. Again, they request transparency and a full costing process. And their concern is computing the actual costs of running the program minus the cost attributable to historical costs. So, I think that would be covered in the costing process and the transparency there. Alexander Schubert just makes a comment on the spelling of "principal" versus "principles." INTA has a divergent point of view, that the application fee should be set to be relatively high to dissuade frivolous applicants and suggests a lighter-touch evaluation process and along with a reduced fee for brand owners. I would suggest that we add -- so here we have -- sorry, my apologies -- registry failure does not impact the wider public in the same way as an open TLD. So, this might be an item to review in applicant reviews, which is in section 2.7.7.

Then, moving to item eight, which is the registry stakeholder group, they both kind of agree and disagree. So, there's divergence, while some registrars have indicated preference for keeping the fees high or at its current level to maintain the value in the process, so -- but they haven't really provided the reasoning. And then, they go into the fee floor, which is in section 2.5.1.c.4. So, I would suggest we park that until we get to that section.

Then, we have the ALAC. Again, they neither agree or disagree. They suggest they do not recommend that excess funds, after cost recovery, should be spent on endeavors that promote the public interest and should not be used to refund applicants. Then, they have the new idea, which is aligned with the item 2.5 -- sorry, 2.5.1.c.4 suggesting that the funds be used for universal awareness, universal acceptance, the support of the gTLD program needs for the long-term. So, that's kind of in addition to the usual method, but we did talk about this also on Work Track 1, where the costing method should consider the long-term and short-term potential assets of the program might require to make sure that one set of applicants in one round is not being hit with a over-amount of -- or a burden to fund, say, another round where they don't have to pay that upfront cost. So, that was part of the discussions in Work Track 1. And then, finally, they suggest also the applicant support program, which is aligned with that same section.

Vanda in comment 10 has a divergent point of view, where she believes to keep the excess in fund for destinations as described in item c.4, which will cost less to ICANN's administration. Otherwise, the admin costs may generate more fees cost to all. Again, I believe what she's referring to is Work Track 1, where we suggested, or there was some discussion that small amounts might just be worthwhile to put in a separate fund and just -- it can be used there to -- for additional items that might arise, and where it would just be such a burden to try to refund those amounts, for instance, say, a difference of \$1,500,

for example. So, that's where that comment is coming back, just for a little bit of background.

Moving to item -- oh, and that's it for 2.5.1.c.2. So, comments and hands? So, I'm seeing some comments on the board about fixed costs, free cash. I think it looks like everyone's talking about the costing methodology. So, I'm seeing no comments that look like they are directly related to this section. Am I missing something? And everyone's (ph) typing, so I must be missing a lot. Jeff, please go ahead.

Jeff Neuman:

Yes, I guess there's some relationship. Sorry, this is Jeff Neuman. I'm probably not going to word this the right way, but, at the end of the day, there's a lot of things that we could fund with the excess as long as the programs that we want to fund with the excess are still considered to be programs funded by excess as opposed to being built in as part of the application fee. And I don't know if anyone followed that. I didn't even follow it myself. But what I'm trying to say is, right now, a lot of these programs that people want to cover with the excess are also programs that other people in this group feel like should be covered as part of the application fee.

So, in the future, there wouldn't be a need to cover those programs with any excess because, in their minds, it should be covered under the application fee itself. Hope that made some sense. My comment would be the other way around, which is, if there is excess, it may be nice to cover some of those programs, but we shouldn't build those programs into the cost of an application and only cover those programs if there is some form of excess. Thank you.

Christa Taylor:

Thanks, Jeff. So, I believe in our discussions before, for example, applicant support was one of those kind of special areas where there was some discussions on smaller amounts, or some of the amounts there that should be considered to fund it going ahead, even though it's got a nest egg sitting there. So, that is one of those areas that does that.

But going back, I think once we cover the area of excess funds and the floors, it might be a good time to return back to this exact discussion to see how our points of views might alter a little bit after we've gone through those materials. So, maybe I'll make a comment on -- or a note on that, and hopefully we can circle back. So, thanks, Cheryl. I'm just going to see how long the next section is in hopes that we might be able to get through it, and it's kind of long. I'm just going to use maybe two minutes here just to see if we can't get through it just a little bit so we can kick off the next call well in hand. And of course, I can't find that selection (ph) in these sheets.

So, section 2.5.1.c3 suggests the Work Track is also considering proposing that, if in the event that the estimated application fee based on the revenue-neutral principle falls below a predetermined threshold amount, i.e. the application fee floor, the actual application fees will be set at that higher application fee floor instead. The purpose of the application fee floor, as discussed below, would be to deter speculation, warehousing of TLDs, and mitigating against the use of TLDs for abusive or malicious purposes that could also -- that could more easily proliferate with a low application fee amount.

So, going through the comments, and we have the first one. It's MARQUES, and they agree with that. The brand registry group, they just say -- it's almost like they disagree, or they're just saying cost recovery only. The registry stakeholder group agrees with the comment. The ALAC is a little bit confusing. They want it to be revenue-neutral, as we discussed before, yet they want a fee floor of \$185,000, which is contradictory to being revenue-neutral. So, I think they, in theory, agree with it, so I'm just going to keep going ahead, but something to note in case I misinterpreted that. INTA, they agree, but they have -- they suggest a different fee for brands, pardon me, which I think we should deal with in section 2.5.2, which is variable fees. So, suggest that we add that to the parking lot there.

Then, we have the next comment by Valideus. They agree but suggest a fixed amount of \$50,000, which is different, and they don't believe it should be based on the \$185,000. And the \$50,000 I think would also be appropriately parked in the variable fees section in 2.5.2, and just because the \$50,000 is referring to the brand registries specifically. Then, ICANN org on item seven, it's kind of a -- they're not really saying one way or the other. They're just saying -- they're looking for transparency, and then they are unsure of the 75 Steps document, and looking for insight on what it's referring to. And I wish we all had it, but I can see if I can pull on my notes on the one document that I did find that in Work Group 1.

In XYZ, they disagree, suggesting that no floor cost recovery be put in place. And finally, we have Neustar, which is the same duplicative comment, and it is related to the cost floor. So, that is that entire section. If any -- I'm looking for any comments on it. I think I guess, if anyone has any concerns on parking those couple of areas to the variable fees, I'll first suggest that aspect in case my interpretation is incorrect and people would like us to deal with it in application fees. Everyone's quiet. They just want off the phone. Got it.

So, on that note, I will pause it here and, unfortunately, obviously didn't get as far as we had hoped on this call, but it's kind of a kick-off, and think we did a little bit better, and hopefully we can cover the rest of application fees in the next call and go from there. Kathy, please go ahead.

- Kathy Kleiman: First, thank you for a really, really good call and for working with us on this. Quick question. The title of this for 2.5.1 is "Variable Fees," but in the initial report, I thought 2.5.1 was "Application Fees," and we keep talking about parking things and moving them to variable fees, which I think is 2.5.2. I could be wrong about that. I could say that more slowly again.
- Christa Taylor: Oh, please, you've got to say it 10 times fast.
- Kathy Kleiman: I think the title of this section may be "Application Fees," flat application fees.
- Christa Taylor: I got it. So, I will take that back, and I'll check on that and get back to you for the next call.
- Kathy Kleiman: Okay, because I was confused, so thanks.
- Christa Taylor: Yes. No, my apologies.
- Kathy Kleiman: Little thing in the scheme of things.
- Christa Taylor: No, all good, thank you. Thank you, everyone, for your time. I think the next call is on December -- I want to say 5th, but I might be incorrect on that. My apologies. Steve, anyone have it right in front of them to help me out? Oh, it's Emily, thank you. One week from today, and we'll send out the agenda. And we'll see you then. Thank you again, everyone, for your time and contributions, and we'll see you next week. Thank you.
- Julie Bisland: And thanks, everyone, for joining today. This meeting is--.
- Unidentified Participant: --Thank you, everyone--.
- Julie Bisland: --adjourned, and you can disconnect all lines. And have a good rest of your day.