

Overview of Analyses Related to Costs and Benefits of a Next Round of the New gTLD Program

Prepared in response to Follow-up on Previous Advice from
the ICANN78 GAC Hamburg Communiqué

ICANN org
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Introduction

This document provides a high-level analysis of the identified costs and benefits of a next round of the New gTLD Program based on three reports related to the New gTLD Program: the Competition, Consumer Trust, and Consumer Choice Review Team Final Report (CCT Final Report); the Final Report on Subsequent Procedures for the New gTLD Program (PDP Final Report); and, the Operational Design Assessment (ODA). It complements the ICANN Board response in the ICANN78 Hamburg Governmental Advisory Committee (GAC) Communiqué Scorecard.

Background

In its ICANN78 Hamburg Communiqué, the GAC issued “Follow-up on Previous Advice” related to “Future gTLDs Policies and Procedures” noting that:

The GAC recalls its advice to the Board in the ICANN56 GAC Helsinki Communiqué (30 June 2016) that “An objective and independent analysis of costs and benefits should be conducted beforehand, drawing on experience with and outcomes from the recent round.” So far the GAC is not certain of the availability of such analysis called for by the GAC. The GAC is looking forward to receiving such analysis at the earliest opportunity and ahead of ICANN79.¹

In the Board-GAC Clarification Call of 5 December 2023, the Board noted to the GAC that the “the benefits and costs of subsequent rounds of new gTLD are contained in the [PDP Final Report](#), the [CCT Final Report](#), and the [ODA](#)” and sought to clarify with the GAC “what additional analysis is required that is not already covered in these documents?” Based on the GAC’s response, the Board noted its understanding of the GAC’s request to be for a succinct statement about what analysis has been conducted in terms of cost and benefits for future rounds of New gTLDs.

Overview of Analyses

The costs and benefits of a next round of the New gTLD Program are largely explored in three reports²:

- [Competition, Consumer Trust and Consumer Choice Review Team Final Report](#): This report focuses on the costs and benefits of the program as it relates to competition, and consumer trust and choice. It also reviews the application and evaluation processes and rights protection mechanisms. At a high level, the Review Team found that “the New gTLD Program has led to a dramatic increase in consumer choice, a modest, but important, increase in competition, and has had a minimal impact on consumer trust,” while there are some TLDs with a “disproportionate level of DNS security abuse” and

¹ See:

<https://gac.icann.org/contentMigrated/icann78-hamburg-communication#:~:text=ICANN78%20Hamburg%20Communiqué&text=The%20GAC%20provides%20advice%20to,agreements%20and%20public%20policy%20objectives.>

² See also the [Resources section](#) for additional reports and analyses that the GAC may find informative.

recommended additional mechanisms to combat such abuse. Additionally, the Review Team found that there is a need for “more and better data on both competition and pricing, and on the impact of safeguards on consumer protection.”³ See more details on the findings in the [section below](#).

- [Final Report on the Subsequent Procedures for the New gTLD Program](#): This report acts as the culmination of community discussion on the costs and benefits of the New gTLD Program, as it resulted in 300+ outputs with recommendations and implementation guidance for how to implement a next round of the New gTLD Program. The Working Group notes in the report that it “was tasked with calling upon the community’s collective experiences from the 2012 New gTLD Program round to determine what, if any changes may need to be made to the existing Introduction of New Generic Top-Level Domains policy recommendations from 8 August 2007.”⁴ The Working Group noted that the recommendations from 2007 remain in place for subsequent rounds of the New gTLD Program unless the GNSO Council decides to modify those policy recommendations via a policy development process. The Working Group was chartered to develop new policy principles, recommendations, and implementation guidance or to clarify, amend, or replace existing such elements.”⁵ See more details on the findings in the [section below](#).
- [Operational Design Assessment](#): This report is ICANN org’s analysis of the costs related to the implementation of the 300+ outputs identified in the PDP Final Report. This report was prepared at the request of the Board to provide the Board additional due diligence as it considered⁶ whether to adopt the outputs. In the report, ICANN org notes that it “determined that a majority of the SubPro Final Report outputs are implementable and can be embodied in the New gTLD Program.”⁷ It further noted that “the overall implementation cost for the next round of the New gTLD Program would be higher than the 2012 round, likely significantly so.”⁸ See more details on the findings in the [section below](#).

ICANN org notes that, in its [March 2023 resolution](#) to adopt a subset of the SubPro Final Report Outputs, the Board stated that:

The Board anticipates the overall impact of the New gTLD Program on the community to be positive. The Board believes the New gTLD Program, as envisaged in the Final Report and ODA, would be an inclusive program with predictable processes with procedures defined upfront for applicants. The New gTLD Program will help promote and sustain a competitive environment in the DNS market, including increased choice for a variety of users and communities, as well as furthering the universal acceptance of TLDs in multiple languages and scripts. The Board believes that the New gTLD Program will ultimately result in an improved DNS space, with enhanced competition, innovation and

³ See page 13 of the report.

⁴ See page 5 of the report.

⁵ *Ibid.*

⁶ Note that the ICANN Board, in its [March 2023 resolution](#) directing ICANN org to proceed with implementation of adopted outputs from the PDP Final Report, also considered other community inputs. These are noted in the [rationale](#) of the Board’s decision.

⁷ See page 10 of the report.

⁸ *Ibid.*

consumer choice, as well as introducing new safeguards to help support a secure, stable and resilient Internet.

Finally, there have been numerous other studies and analyses conducted over the past several years regarding new gTLDs, the DNS marketplace, and the New gTLD Program, which can be found in the [Resources section](#). The next section provides a more detailed overview of the three reports identified above. Excerpts from the reports themselves can be found in the appendices of this document.

Competition, Consumer Trust and Consumer Choice Review Team Final Report

The CCT Review was conducted to meet Affirmation of Commitments (AoC) Section 9.3.4, which sets out that “when new gTLDs (whether in ASCII or other language character sets) have been in operation for one year, ICANN will organize a review that will examine the extent to which the introduction or expansion of gTLDs has promoted competition, consumer trust and consumer choice, as well as effectiveness of (a) the application and evaluation process, and (b) safeguards put in place to mitigate issues involved in the introduction or expansion.”

Findings

The CCT Review Team produced 35 recommendations related to:

- Requests for more and better data collection
- Policy issues to be addressed by the community
- Suggested reforms relating to transparency and data collection within ICANN Contractual Compliance

In particular, the following findings by the CCT Review Team appear to be most relevant to a discussion of a cost-benefit analysis of the New gTLD Program:

Competition and Consumer Choice

- “Preliminary findings suggest that the potential for healthy competition exists and some important indicators are consistent with increased competition.”⁹
- “The structure of the domain name industry itself provides a partial explanation of the potential for sustained competition. In particular, the availability of independent back-end service providers and retailers (registrars) decreases barriers to entry because new registries do not need to invest in supplying their own in-house back-end infrastructure or developing their own sales channels.”¹⁰

Consumer Trust and Safeguards

- “An international survey commissioned by the CCT indicates the domain industry is one of the most trusted in the tech sector and that the dramatic expansion of the DNS has done little thus far to undermine that trust. A key component of this trust seems grounded in familiarity, with legacy gTLDs still more trusted than new

⁹ Page 7 of the Report. See also [Executive Summary](#) in the appendix.

¹⁰ *Ibid.*

gTLDs, and strings with recognized terms more trusted than strings with less familiar terms.”¹¹

- “Similarly, consumers reported that restrictions on who could purchase certain gTLDs would engender greater trust, particularly if the domain name itself suggests that the registrant might need to possess a certain license or credentials. These tendencies represent both an opportunity and a danger if the connection between names and content proves to be less direct.”¹²

Application and Evaluation

- “Although more than half of the applicants to the New gTLD Program indicated they would go through the process again (even with no changes), a large majority indicated the Program was overly complex and bureaucratic, and that the assistance of outside consultants was necessary.”¹³
- “The ICANN community needs to make a decision about the importance of applications from the Global South (and by extension, from other underrepresented regions) and, if appropriate, to take further steps to encourage those applications. It is clear that if the community wants more applications from underrepresented regions, more needs to be done.”¹⁴

Rights Protection Mechanisms

- “The data available indicated that the number of domain name disputes had increased since the introduction of new gTLDs, with disputes rising year-on-year after their introduction. Of course, a rising number of domain name disputes is not in itself surprising, given the expansion of the DNS and increased number of domain name registrations worldwide.”¹⁵
- “While the survey received a low number of respondents, the INTA survey offers some interesting findings with respect to the costs of trademark enforcement in the new gTLDs to brand owners. The survey found that “new TLD registrations [by brand owners] primarily duplicate legacy TLD or ccTLD registrations.” In particular, only 17% of respondents had registered names in the new gTLDs for the first time versus duplicating existing domains in legacy gTLDs or ccTLDs. This suggests that defensive registrations may remain an issue in the New gTLD Program.”¹⁶

Resources

- See the executive summary of the report included in this document [here](#).
- Information regarding the status of the implementation of the recommendations can be found here: <https://www.icann.org/resources/reviews/specific-reviews/cct>.

¹¹ Page 8.

¹² *Ibid.*

¹³ Page 10.

¹⁴ *Ibid.*

¹⁵ Page 11.

¹⁶ *Ibid.*

New gTLD Subsequent Procedures Final Report

In 2015, the GNSO approved a Policy Development Process for reviewing the 2012 New gTLD Program and chartered the New gTLD Subsequent Procedures Working Group (Sub Pro PDP WG). The major goal of the WG was to “determine what, if any changes may need to be made to the existing Introduction of New Generic Top-Level Domains policy recommendations from 8 August 2007.” On 18 February 2021, the Generic Name Support Organization (GNSO) Council voted to approve the New Generic Top Level Domain (gTLD) Subsequent Procedures Policy Development Process Final Report (the Final Report). On 24 March 2021, following the approval of the outputs, the GNSO Council transmitted its Recommendations Report to the ICANN Board for consideration and also resolved to ask for the Board to “initiate an Operational Design Phase on the Final Report of the SubPro Working Group and its outputs as soon as possible.”

Findings

With the approval of the Final Report, the GNSO Council adopted 300-plus affirmations, recommendations, and implementation guidance (collectively referred to as "the outputs") related to 41 different topics that touch on various aspects of the New gTLD Program. These include topics related to:

- **Overarching issues**, such as Continuing subsequent procedures (Topic 1), Predictability (Topic 2), and Metrics and Monitoring (Topic 7)
- **Foundational issues**, such as Registry Voluntary Commitments / Public Interest Commitments (Topic 9) and Applicant Freedom of Expression (Topic 10)
- **Pre-launch activities**, such as Communications (Topic 13) and Systems (Topic 14)
- **Application Submission**, such as Application Fees (Topic 15) and Applicant Support (Topic 17)
- **Application Processing**, such as Application Queuing (Topic 19)
- **Application Evaluation**, such as Registrant Protections (Topic 22), String Similarity (Topic 24), IDNs (Topic 25), and Security and Stability (Topic 26)
- **Dispute Proceedings**, such as GAC advice and Early Warning (Topic 30), and Objections (Topic 31)
- **String Contention Resolution**, such as Community Applications (Topic 34) and Auctions of Last Resort (Topic 35)
- **Contracting**, such as the Base Registry Agreement (Topic 36)
- **Pre-Delegation**, such as Registry System Testing (Topic 39)
- **Post-Delegation**, such as TLD Rollout (Topic 40) and Contractual Compliance (Topic 41)

Resources

- See the GNSO PDP New gTLD Subsequent Procedures [page](#)
- See Board actions on SubPro Final Report:
 - [March 2023](#)
 - [September 2023](#)

Operational Design Assessment (ODA)

On 12 September 2021, the Board directed the ICANN President and CEO to organize the resources required to begin work on an Operational Design Phase (ODP) SubPro Final Report and the outputs contained therein. As the SubPro Final Report outputs concerned complex operational requirements, the Board decided it would benefit from further due diligence to evaluate the impact of implementing the SubPro Final Report outputs. In the rationale for its decision, the Board noted that “initiating an ODP for the Final Report outputs is essential to inform the Board’s deliberations, including whether the recommendations are in the best interests of the ICANN community or ICANN.” The outcome of the ODP is the Operational Design Assessment (ODA), which is delivered to the Board for its consideration alongside the SubPro Final Report outputs, public comment on the same, and other relevant materials.

Findings

The following findings appear to be most relevant to a discussion of the costs-benefits of the New gTLD Program:¹⁷

- ICANN org determined that a majority of the SubPro Final Report outputs are implementable and can be embodied in the New gTLD Program.
- ICANN org found that the overall implementation cost for the next round of the New gTLD Program would be higher than the 2012 round, likely significantly so.
- ICANN org identified a key risk related to unknown demand, driving uncertainty into ICANN org’s analysis
- ICANN org also provided an extensive cost analysis, including the costs of two different implementation scenarios.¹⁸

Finally, ICANN org made three general observations regarding the implementation of the outputs of the PDP Final Report:

- “The implementation of the outputs should support diverse participation in the Internet.”¹⁹
- “Implementation of the outputs should be constructed to achieve predictability as much as possible.”²⁰
- “Implementation of the outputs should allow for innovation and, by extension, increased efficiency of the application process.”²¹

Resources

- See the executive summary of the report included in this document [here](#).
- Information regarding the Operational Design Phase can be found [here](#).

¹⁷ These are explained in more detail in the [Executive Summary](#) included in the appendix of this paper.

¹⁸ ICANN org continued to refine this analysis after the publication of the ODA. The latest cost analysis is available in the [Implementation Plan](#), which was adopted by the Board in July 2023.

¹⁹ See page 24 of the report.

²⁰ See page 25 of the report.

²¹ *Ibid.*

Appendix 1: Resources

ICANN org notes that the following information may also be useful to the GAC in relation to the next round of the New gTLD Program:

Study Name	Type	Year	Link
New Generic Top-Level Domain (gTLD) Subsequent Procedures Operational Design Assessment (ODA) (2022)	SubPro ODA	2022	https://www.icann.org/en/system/files/files/subpro-oda-12dec22-en.pdf
Unleashing the Power of All Domains (for UADP)	Thematic Study	2017	https://uasg.tech/wp-content/uploads/2017/04/Unleashing-the-Power-of-All-Domains-White-Paper.pdf
Latin American and Caribbean DNS Marketplace Study	Regional Study	2017	https://www.icann.org/en/public-comment/proceeding/latin-american-and-caribbean-dns-marketplace-study-22-09-2016
The 2016 African Domain Name System Market Study	Regional Study	2017	https://www.icann.org/en/system/files/files/africa-dns-market-study-final-06jun17-en.pdf
ICANN Global Registrant Survey Wave 2	Survey	2016	https://newgtlds.icann.org/sites/default/files/global-registrant-survey-15sep16-en.pdf
Assessment of the Competitive Effects Associated with ICANN's New gTLD Program Phase 2	Economic Study	2016	https://newgtlds.icann.org/sites/default/files/competitive-effects-phase-two-assessment-11oct16-en.pdf
Middle East and Adjoining Countries DNS Study	Regional Study	2016	https://www.icann.org/en/system/files/files/meac-dns-study-26feb16-en.pdf
Which Wheels to Grease? Reducing Friction in the Internet Economy	Thematic Study	2015	https://www.bcg.com/publications/2015/telecommunications-public-sector-which-wheels-to-grease
ICANN Global Registrant Survey	Survey	2015	https://newgtlds.icann.org/sites/default/files/global-registrant-survey-25sep15-en.pdf
Assessment of the Competitive Effects Associated with ICANN's New gTLD Program Phase 1	Economic Study	2015	https://newgtlds.icann.org/sites/default/files/competitive-effects-phase-one-assessment-28sep15-en.pdf
The Commercial Development of ccTLDs in the LAC Region	Regional Study	2015	https://community.icann.org/display/lacstrty/Project+4.6.1+-+Supporting+the+Commercial+Development+of+ccTLD+Registries+in+the+LAC+Region?preview=/52896817/58002266/The%20Commercial%20Development%20of%20ccTLD%20Registries%20in%20the%20LAC%20Re

Study Name	Type	Year	Link
			gion.pdf
Greasing the Wheels of the Internet Economy	Thematic Study	2014	https://www.icann.org/en/system/files/files/bcg-internet-economy-27jan14-en.pdf
Implementation Advisory Group for Competition, Consumer Trust & Consumer Choice (IAG-CCT): Final Recommendations on Metrics for CCT Review (2014)	CCT Review Metrics Recommendations	2014	https://newgtlds.icann.org/sites/default/files/iag-metrics-final-recs-26sept14-en.pdf
Rationale for Board Decision on Economic Studies Associated with The New gTLD Program ²²	Board Document	2011	https://www.icann.org/en/system/files/bm/rationale-economic-studies-21mar11-en.pdf
An Economic Framework for the Analysis of the Expansion of Generic Top-Level Domains	Economic Study	2010	https://archive.icann.org/en/topics/new-gtlds/economic-analysis-of-new-gtlds-16jun10-en.pdf
Economic Considerations for the Analysis of the Expansion of Generic Top-Level Domains	Economic Study	2010	https://archive.icann.org/en/topics/new-gtlds/phase-two-economic-considerations-03dec10-en.pdf
New gTLD Program: Benchmarking of Registry Operations (2010) – KPMG Study	TLD Operational/Financial Study	2010	https://archive.icann.org/en/topics/new-gtlds/benchmarking-report-15feb10-en.pdf
Preliminary Report of Dennis Carlton Regarding Impact of New gTLDs on Consumer Welfare	Economic Study	2009	https://archive.icann.org/en/topics/new-gtlds/prelim-report-consumer-welfare-04mar09-en.pdf
Report of Dennis Carlton Regarding ICANN's Proposed Mechanism for Introducing New gTLDs	Economic Study	2009	https://archive.icann.org/en/topics/new-gtlds/carlton-re-proposed-mechanism-05jun09-en.pdf
Update to Cost Considerations of the New gTLD Program	Org Document	2009	https://archive.icann.org/en/topics/new-gtlds/cost-considerations-04oct09-en.pdf
Revisiting Vertical Separation of Registries and Registrars	Economic Study	2008	https://archive.icann.org/en/topics/new-gtlds/crai-report-24oct08-en.pdf
Cost Considerations of the New gTLD Program	Org Document	2008	https://archive.icann.org/en/topics/new-gtlds/cost-considerations-23oct08-en.pdf

²² See also [Appendix 2](#) for a brief overview of this document.

Appendix 2: Overview of ‘Rationale for Board Decision on Economic Studies Associated with The New gTLD Program’

ICANN org notes the relevance of the historical document “[Rationale For Board Decision On Economic Studies Associated With The New Gtld Program](#)” to the GAC’s question regarding analyses of the costs and benefits of the New gTLD Program. The rationale states that

ICANN’s Board has concluded that there is no economic basis that would justify stopping the New gTLD Program from proceeding and no further economic analysis will prove to be any more informative in that regard than those that have already been conducted. Furthermore, the Board has determined that the numerous economic studies have sufficiently identified the key issues that require safeguards in the Applicant Guidebook and 2 that it is now the responsibility of the Community and the Board to finalize the appropriate rules that will maximize benefits and reduce potential costs.

While this decision by the Board is from 2011, the points highlighted in the rationale, which is based on the numerous economic studies received by the Board, remain relevant to current discussion on the next round, including:

- 1) “[The economists] generally supported an open approach in which new gTLDs would continue to be added to the root, subject to appropriate restrictions to address trademark and other competition concerns that ICANN has included in the gTLD Guidebook.”
- 2) “Those studies greatly improved ICANN’s understanding of the marketplace.”
- 3) “[T]he studies made clear that the economists did not anticipate that the costs that might be associated with new gTLDs would outweigh the overall benefits of their introduction, and determined that it was too difficult to predict.”²³

Finally, the Board noted in the rationale that “the overall balance of costs and benefits in the new gTLD program will be determined through the implementation of the final rules and safeguards included in the Applicant Guidebook.”²⁴ That is, implementation itself will reveal the costs and benefits. And, as noted [above](#), based on the analyses reviewed in this document, including recommendations from the community for a subsequent round and ICANN org’s detailed analysis of implementation of those recommendations, the Board has determined that proceeding with a subsequent round is in the best interest of the community, as noted in the rationale of its March 2023 to adopt (a subset of) the outputs from the SubPro Final Report:

The Board anticipates the overall impact of the New gTLD Program on the community to be positive. The Board believes the New gTLD Program, as envisaged in the Final

²³ See page 1: <https://www.icann.org/en/system/files/bm/rationale-economic-studies-21mar11-en.pdf>.

²⁴ *Ibid.*, page 9.

Report and ODA, would be an inclusive program with predictable processes with procedures defined upfront for applicants. The New gTLD Program will help promote and sustain a competitive environment in the DNS market, including increased choice for a variety of users and communities, as well as furthering the universal acceptance of TLDs in multiple languages and scripts. The Board believes that the New gTLD Program will ultimately result in an improved DNS space, with enhanced competition, innovation and consumer choice, as well as introducing new safeguards to help support a secure, stable and resilient Internet.

Appendix 3: Executive Summary of the Competition, Consumer Trust, and Consumer Choice (CCT) Review Final Report

Executive Summary²⁵

ICANN's Affirmation of Commitments (AoC) called for a regular review of the degree to which the New Generic Top-Level Domain (gTLD) Program promoted consumer trust, choice and increased competition in the Domain Name System (DNS) market. This review is called the Competition, Consumer Trust, and Consumer Choice Review (CCT).

²⁶ The AoC further called on the CCT reviews to evaluate the effectiveness of the application and evaluation process for new gTLD applicants and the safeguards put in place to mitigate the risks associated with the expansion of generic top-level domains. These reviews are important because they provide ICANN with an assessment of how the new gTLD round performed in these areas and guidance on key issues (including competition, consumer protection, security, malicious abuse, and rights protection issues) as it contemplates further increase in the number of top-level domains (TLDs). The CCT was asked to weigh the advantages and disadvantages of the New gTLD Program in these key areas and assess whether the Program resulted in net benefits to users of the DNS.

The review team endeavored to be as objective as possible and to base its findings on available data. The more objective the findings, the more likely the impact of implemented recommendations can be measured. The idea of using metrics to evaluate the performance of the DNS began six years ago with an ICANN Board resolution²⁷ that called on the community to identify quantitative targets to assess the impact of the New gTLD Program on consumer trust, choice, and competition in the DNS marketplace. Although the particular metrics developed at that time aided the review team's analysis, they ultimately did not form the basis for the majority of the review. However, the CCT Review Team did strive to employ quantitative analysis wherever possible.

²⁵ See pages 1-9 of the Review Team Final Report:

<https://www.icann.org/en/system/files/files/cct-rt-final-08sep18-en.pdf>.

²⁶ On 30 September 2009, ICANN and the United States Department of Commerce signed the AoC, which— among other things—committed ICANN to periodically organizing Community-led review teams to assess the impact of the New gTLD Program on the domain name marketplace. In January 2017, the AoC expired following the IANA transition in October 2016. However, many of the provisions contained in the AoC—including Community-led reviews of competition, choice, and trust in the domain name marketplace—have been incorporated into ICANN's revised bylaws (see ICANN, "Bylaws for Internet Corporation for Assigned Names and Numbers: Section 4.6: Specific Reviews," amended 1 October 2016, <https://www.icann.org/resources/pages/governance/bylaws-en/#article4>).

²⁷ ICANN Board Resolution 2010.12.10.30, "Consumer Choice, Competition and Innovation," (2010), accessed 20 January 2017, <https://www.icann.org/resources/board-material/resolutions-2010-12-10-en#6>.

The CCT Review Team found that while the New gTLD Program is quite new and the data are incomplete, on balance the expansion of the DNS marketplace has demonstrated increased competition and consumer choice and has been somewhat successful in mitigating its impact on consumer trust and rights (particularly trademark) protection. That said, the review team concluded that the New gTLD Program should be regarded only as a “good start,” and that a number of policy issues should be addressed before any further expansion of gTLDs.

In particular, the review team found that critical data were in short supply for the analysis of competition, the effectiveness of safeguards, and the promotion of consumer trust and geographic representation of applicants. Even the definition of the DNS market itself is problematic without additional information about whether consumers view new gTLDs as substitutes for other domain names, such as country code top-level domains (ccTLDs). Some gTLDs compete in narrow markets that serve specialized groups of registrants, and alternative online identities such as Facebook and Yelp pages and third-level domains may serve as substitutes for registrations in gTLDs. Consequently, the CCT Review Team recommends that ICANN enhance its capabilities to gather and analyze data, in particular those used by ICANN's Contractual Compliance Department, prior to further increasing the number of gTLDs. We also identify certain policy issues that the community should resolve prior to the further expansion of the gTLD space. Finally, we recommend a number of specific research projects that should be completed prior to a future CCT, and in many cases, even sooner.

Background

Prior to the start of the CCT Review Team's work in January 2016, ICANN, together with the community, had begun preparatory work to identify metrics to inform the forthcoming review. Data collection on these metrics began in 2014 and continued into 2016.²⁸ In addition, ICANN commissioned two major research projects in 2015 in anticipation of the review team's work: a global consumer end-user and registrant survey, and an economic study of the Program's competitive effects.⁴ These surveys were repeated in 2016 to compare against those conducted in 2015 as newer gTLDs came into operation, and took into consideration, where applicable, additional questions and requirements raised by the review team.²⁹

In conducting its analysis, the review team was mindful of the fact that the New gTLD Program had only been in place for a short period of time, that new domain names are continuously entering the marketplace, and thus the full effects of the Program may have

²⁸ Nielsen, ICANN Global Consumer Research (April 2015), accessed 26 April 2017, <https://www.icann.org/news/announcement-2015-05-29-en>; Nielsen, ICANN Global Registrant Survey (September 2015), accessed 26 April 2017, <https://www.icann.org/news/announcement-2015-09-25-en>; Analysis Group, Phase I Assessment of the Competitive Effects Associated with the New gTLD Program (September 2015), accessed 3 August 2018, <https://www.icann.org/news/announcement-2-2015-09-28-en>.

²⁹ Nielsen, ICANN Global Consumer Research: Wave 2 (June 2016), accessed 26 April 2017, <https://www.icann.org/news/announcement-2-2016-06-23-en>; Nielsen, ICANN Global Registrant Survey: Wave 2 (August 2016), accessed 26 April 2017, <https://www.icann.org/news/announcement-2-2016-09-15-en>; Analysis Group, Phase II Assessment of the Competitive Effects Associated with the New gTLD Program (October 2016), accessed 3 August 2018, <https://www.icann.org/news/announcement-2016-10-11-en>

not yet have been fully realized. The Team used data that had previously been collected—and commissioned new research where it felt important data were missing—to help inform its analysis. The Team divided its work into four subteams:

- **Competition and Consumer Choice.** This subteam examined the effects of the entry of new gTLDs on price and non-price competition in the expanded domain marketplace, as well as whether consumer choice in the marketplace was effectively enhanced with the introduction of new gTLDs.
- **Consumer Trust and Safeguards.** This subteam focused on the extent to which the expansion of new gTLDs has promoted consumer trust and the impact of the safeguards adopted to mitigate any problems that might have arisen as a result of the program.
- **Application and Evaluation Process.** The review team explored issues related to the effectiveness of the application process to operate a new gTLD, with a particular focus on the applicant experience, the paucity of applications from underserved regions, and the objection processes.
- **International Trademark Association (INTA) Impact Study.** The subteam was limited in time as it was formed to analyze and draw conclusions on the INTA Impact Study results.³⁰

Competition and Consumer Choice

Although it is still too early to evaluate fully the competitive effects of the introduction of 741 delegated new gTLDs as of May 2017 (excluding those that are considered “.brands”),³¹ some preliminary findings suggest that the potential for healthy competition exists and some important indicators are consistent with increased competition. Of particular note, as of December 2016, registrations in new gTLDs accounted for about three-fifths of new registrations in all gTLDs, about 45 percent of new registrations in all TLDs (including open ccTLDs) since the new gTLDs were introduced, and about 58 percent of new registrations in gTLDs and “open” ccTLDs. We also found that, in the same month, new gTLDs accounted for about 14 percent of registrations among new and legacy gTLDs (see Table 2 below).

It is also interesting to note that in 92 percent of the cases in which a second-level domain was available in .com, the registrant nonetheless chose a second-level string in a new gTLD. For example, even if bigshotphotography.com was available, registrants often chose bigshots.photography instead, and in many cases were willing to spend more money to do so.³²

³⁰ Nielsen, INTA New gTLD Cost Impact Study (April 2017) and INTA, New gTLD Impact Study Status Report II (August 2017), accessed 3 August 2018,

<https://community.icann.org/display/CCT/Studies%2C+Research%2C+and+Background+Materials>

³¹ gTLDs considered .brands for the purpose of this review are those which include Specification 13 in their Registry Agreements, or are exempt from the Registry Operator Code of Conduct. See <https://www.icann.org/resources/pages/registries/registries-agreements-en> and <https://www.icann.org/news/blog/new-gtld-registry-operator-code-of-conduct>

³² This reporting is derived from an analysis of two data sets produced by ICANN organization for the Review Team. See “New gTLD Registrations Available in .com,” (2016 and 2018), and “Existing Registrations in .com Against New gTLDs,” (2016 and 2018), accessed 3 August 2018, available at <https://community.icann.org/display/CCT/Studies%2C+Research%2C+and+Background+Materials>.

The structure of the domain name industry itself provides a partial explanation of the potential for sustained competition. In particular, the availability of independent back-end service providers and retailers (registrars) decreases barriers to entry because new registries do not need to invest in supplying their own in-house back-end infrastructure or developing their own sales channels. Consequently, smaller niche registries have a higher likelihood of achieving minimum viable scale.

Early indications are that right holders are less inclined to rely on defensive registrations (i.e., registering a domain simply to prevent others from doing so) than in the past. It's not clear whether this is the result of the new rights protection mechanisms or simply the sheer volume of new gTLDs. Instead rights holders are engaging in increased monitoring and case by case resolution mechanisms. Further analysis of the distribution of defensive costs (including "blocking," which entails an agreement with a registry not to sell a domain), direct communication (such as cease and desist correspondence and URS) is currently underway, but preliminary indications are that increases in defensive investment by trademark holders were less than anticipated prior to the launch of the Program.

One caveat to this analysis stems from the existence of a large number of "parked" domains (domains that have been registered but are not yet being used) in new gTLDs. Although not dispositive, the fact that the average parking rate for new gTLDs is higher than for legacy gTLDs may suggest that competition from new gTLDs may not be as significant as indicated by the registration data reported above.³³ We hope that parking data will be part of the analysis in future reviews.

Consumer Trust and Safeguards

An international survey commissioned by the CCT indicates the domain industry is one of the most trusted in the tech sector and that the dramatic expansion of the DNS has done little thus far to undermine that trust.³⁴ A key component of this trust seems grounded in familiarity, with legacy gTLDs still more trusted than new gTLDs, and strings with recognized terms more trusted than strings with less familiar terms. In addition, there are indications of a desire among end-users for a more semantic Web in which the domain name is an indicator of the type of content contained within a TLD.

Similarly, consumers reported that restrictions on who could purchase certain gTLDs would engender greater trust, particularly if the domain name itself suggests that the registrant might need to possess a certain license or credentials. These tendencies represent both an opportunity and a danger if the connection between names and content proves to be less direct.

Given the difficulty of defining and measuring "trust," the review team explored the notion of "trustworthiness" as a proxy for consumer trust. For example, the review team fielded a study on

³³ See ntlldstats, "Parking in New gTLDs Overview," accessed 3 August 2018, <https://ntldstats.com/parking/tld>.

³⁴ Nielsen, Consumer Research Wave 2 (2016), pp. 63-69.

DNS Security Abuse to determine if the rates of abuse were higher or lower in new gTLDs.³⁵ These findings were used to analyze whether or not new gTLDs were inherently less trustworthy than legacy gTLDs, as well as to determine the effectiveness of safeguards implemented as part of the New gTLD Program.³⁶ The results were mixed, indicating that despite new safeguards, some new gTLD registries and registrars may in fact be less trustworthy than those associated with legacy gTLDs, even if new gTLDs as a whole are not.

Other notable findings on the impact of the new gTLD safeguards include the following:

- Ninety-nine percent of registries have implemented safeguards regarding the prevention of abusive activities in their gTLDs as required in their registry-registrar agreements; however, the downstream impact is unclear.³⁷
- ICANN reports that abuse complaint volumes are typically higher for registrars than registries, but it is difficult to determine if safeguards are affecting rates of abuse.³⁸
- WHOIS accuracy complaints remain the largest category of complaints to ICANN Contractual Compliance.³⁹
- ICANN Contractual Compliance has reported that 96 percent of the 264 registries that were reviewed in 2014 are performing the analysis that is required to determine if they are being used to perpetrate security threats.⁴⁰
- The review team examined the rates of UDRP and URS case filings and found an overall decrease in the number of cases filed since 2012, although URS cases in new gTLDs have driven an approximately 10 percent increase in disputes since the recent low point in cases filed in 2013. The review team needs more information on costs related to trademark enforcement before it will be able to reach more specific conclusions in this area.⁴¹

³⁵ SIDN Labs and the Delft University of Technology (August 2017), Statistical Analysis of DNS Abuse in gTLDs Final Report, accessed 3 August 2018, <https://www.icann.org/en/system/files/files/sadag-final-09aug17-en.pdf>. “DNS Abuse” is a term used by the Review Team that refers to “intentionally deceptive, conniving, or unsolicited activities that actively make use of the DNS and/or the procedures used to register domain names” (see p. 3 of the “New gTLD Program Safeguards Against DNS Abuse: Revised Report” referenced below). “DNS Security Abuse” in the context of this report refers to specific, technical forms of abusive behavior: malware distribution, phishing, pharming, botnet command-and-control, and spam in the DNS. For more on how abuse has been characterized by the ICANN Community, see the Registration Abuse Policies Working Group’s Final Report (29 May 2010), accessed 3 August 2018, https://gnso.icann.org/sites/default/files/filefield_12530/rap-wg-final-report-29may10-en.pdf.

³⁶ ICANN Operations and Policy Research, New gTLD Program Safeguards Against DNS Abuse: Revised Report (July 2016), accessed 3 August 2018, <https://www.icann.org/news/announcement-2016-07-18-en>.

³⁷ ICANN (2015), ICANN Contractual Compliance 2014 Annual Report, accessed 7 February 2017, <https://www.icann.org/en/system/files/files/annual-2014-13feb15-en.pdf>, p. 13.

³⁸ ICANN (2016), ICANN Contractual Compliance 2015 Annual Report, accessed 7 February 2017, <https://www.icann.org/en/system/files/files/annual-2015-27jan16-en.pdf>.

³⁹ ICANN, “Contractual Compliance Reports,” accessed 8 August 2018, <https://www.icann.org/resources/pages/compliance-reports-2016-04-15-en>.

⁴⁰ ICANN (2015), ICANN Contractual Compliance 2014 Annual Report, accessed 10 August 2018, <https://www.icann.org/en/system/files/files/annual-2014-13feb15-en.pdf>.

⁴¹ ICANN, “CCT Metrics Reporting Page: Rights Protection Mechanisms,” accessed 3 August 2018, <https://www.icann.org/resources/pages/cct-metrics-rpm-2016-06-27-en>.

The review team also identified several challenges to its assessment of the extent to which safeguards mitigated risks involved in the expansion of the gTLD space. Ultimately, the safeguards put in place as part of the Program were too narrow in scope to prevent some of the malicious abuse issues identified prior to the introduction of the new gTLDs.⁴² Instead, as in legacy gTLDs, DNS Security Abuse still remains a significant issue. Although abuse does not universally persist in all new gTLDs, it is endemic to many. More troubling, at present there is little recourse for the community to stop new gTLD registries and registrars associated with high levels of abuse. This in turn creates incentives for network operators to unilaterally block all traffic from specific TLDs or registrars, running counter to community goals for Universal Acceptance of new gTLDs.⁴³

The failure to prevent the spread of certain abusive activities to new gTLDs previously identified by the community is significant. The CCT Review Team recognizes the infrastructure role played by domain names in enabling abusive activities that impact the security, stability, and resiliency of the DNS, undermine consumer trust, and, ultimately, impact end-users around the globe. Accordingly, this is a high-priority topic that must be addressed before any further expansion of the DNS, and the review team offers several recommendations to remedy the deficiencies of the status quo and improve the security of the DNS.

As previously mentioned, one challenge to evaluating the impact of safeguards on trustworthiness is the lack of granularity in ICANN Contractual Compliance data. It is unclear what the impact of safeguards imposed on sensitive, regulated, and highly-regulated strings has been since complaints to registrants are difficult to track, as is the lack of detail publicly reported by ICANN Contractual Compliance regarding complaints that it receives. Moreover, provisions related to inherent government functions and cyberbullying that were incorporated into the Registry Agreements were difficult to measure as there were no consequences identified for a failure to comply with these provisions. Finally, the Public Interest Commitments.

(PICs) incorporated into Registry Agreements were particularly challenging to assess because they varied greatly.⁴⁴ It remains unclear how effective enforcement of the PICs has been.

Application and Evaluation

Here the review team chose to focus less on the complexity and any inefficiencies of the application and evaluation process and more on the potential inequities of the program as

⁴² ICANN (3 October 2009), Exploratory Memorandum: Mitigating Malicious Conduct, accessed 9 November 2016, <https://archive.icann.org/en/topics/new-gtlds/mitigating-malicious-conduct-04oct09-en.pdf>.

⁴³ “Universal Acceptance” refers to an effort to encourage “Internet applications and systems [to] treat all TLDs in a consistent manner, including new gTLDs and internationalized TLDs. Specifically, they must accept, validate, store, process and display all domain names.” See ICANN, “Universal Acceptance,” accessed 3 August 2018, <https://www.icann.org/resources/pages/universal-acceptance-2012-02-25-en>.

⁴⁴ See ICANN Wiki, “Public Interest Commitments,” accessed 3 August 2018, https://icannwiki.org/Public_Interest_Commitments.

implemented. Of particular concern to the review team was the relatively low application rate from entities in the “Global South.”⁴⁵

The CCT Review Team commissioned two focused efforts to explore applicant experiences and barriers to entry for those who did not apply to operate a new gTLD.⁴⁶ Although more than half of the applicants to the New gTLD Program indicated they would go through the process again (even with no changes), a large majority indicated the Program was overly complex and bureaucratic, and that the assistance of outside consultants was necessary. Therefore, it should come as no surprise that a focus group of potential applicant cohorts (similar entities to those who applied) in the Global South indicated not only a lack of awareness of the Program as a whole, but also concerns over the complexity of the application process and a lack of available assistance in applying. Although not the most frequently expressed concern, nearly every cohort expressed concerns about the return on investment from operating a new gTLD. Programs that were put in place to facilitate and encourage applications from the Global South were thought to be both poorly monitored and largely ineffective. The ICANN community needs to make a decision about the importance of applications from the Global South (and by extension, from other underrepresented regions) and, if appropriate, to take further steps to encourage those applications. It is clear that if the community wants more applications from underrepresented regions, more needs to be done.

Further analysis of the application process revealed that the implementation of policies around issues such as string confusion was inconsistent and unpredictable. More clarity is needed in the Applicant Guidebook (AGB) to reduce this inconsistency going forward.

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Finally, the CCT Review Team found that Governmental Advisory Committee (GAC) participation in the application and evaluation process was largely beneficial and led directly to modifications of applications and applicants more successfully navigating the process.

Rights Protection Mechanisms

An important aspect of the safeguards available in new gTLDs are the Rights Protection Mechanisms (RPMs) which were specifically developed in connection with the introduction of the New gTLD Program. The RPM’s were meant to stand alongside existing rights protection mechanisms such as the Uniform Dispute Resolution Process

⁴⁵ “Global South” is a fluid and sometimes contested term used by social scientists to refer broadly to regions in Latin America, Asia, Africa, and Oceania. For an overview of the term’s origins and use, see Nour Dados and Raewyn Connell, “The Global South,” *Contexts: Journal of the American Sociological Association* [11, 1] (2012): <http://journals.sagepub.com/doi/pdf/10.1177/1536504212436479>.

⁴⁶ AMGlobal Consulting, *New gTLDs and the Global South: Understanding Limited Global South Demand in the Most Recent New gTLD Round and Options Going Forward* (October 2016), accessed 3 August 2018, <https://community.icann.org/display/CCT/Studies%2C+Research%2C+and+Background+Materials>.

⁴⁷ ICANN, *gTLD Applicant Guidebook* (June 2012), accessed 3 August 2018, <https://newgtlds.icann.org/en/applicants/agb>.

(UDRP). The CCT Review ⁴⁸Team examined whether these RPMs help encourage a safe environment and promote consumer trust in the DNS. The CCT Review Team also sought to measure the cost impact of the New gTLD Program on intellectual property owners. The early indicators are that there is proportionately more trademark infringement in new gTLDs than in legacy TLDs.

The data available indicated that the number of domain name disputes had increased since the introduction of new gTLDs, with disputes rising year-on-year after their introduction. Of course, a rising number of domain name disputes is not in itself surprising, given the expansion of the DNS and increased number of domain name registrations worldwide. Thus, the CCT Review Team sought an answer to the more pertinent question of whether there is proportionately more trademark infringement in new gTLDs than in legacy TLDs. This is a more difficult issue, as there are many factors involved in assessing trademark infringement, and minimal data is available. For example, in addition to the UDRP and URS, trademark owners also use a variety of other means to deal with abusive domain name registrations, such as court actions and demand letters, which are not tracked centrally. Nor are the costs associated with such actions available. It is also not within ICANN's remit to track or attempt to track such data. The International Trademark Association (INTA) conducted a study of its membership to begin to explore the experience of trademark holders that reveals some of the complexities in obtaining such information. The INTA study was directed to the 1,096 corporations, nonprofits and other entities that own trademark portfolios and are considered "regular" members under INTA's membership structure. Outside counsel and other categories of trademark service providers were not the targets of the survey. This decision was made in order to avoid overlap with brand owners whose outside counsel may also be receiving the survey. Ninety-three respondents entered the survey and 33 completed it. Subsequent feedback suggests that the complexity of the questions, the length of the survey, and the survey methodology, generally, discouraged completion.

The CCT Review Team examined the survey results and supplemented these with its own analysis. While the survey received a low number of respondents, the INTA survey offers some interesting findings with respect to the costs of trademark enforcement in the new gTLDs to brand owners. The survey found that "new TLD registrations [by brand owners] primarily duplicate legacy TLD or ccTLD registrations." In particular, only 17% of respondents had registered names in the new gTLDs for the first time versus duplicating existing domains in legacy gTLDs or ccTLDs. This suggests that defensive registrations may remain an issue in the New gTLD Program. While one of the stated purposes of the New gTLD Program was to create greater choice, the primary consideration for domain registration by brand owners who participated in the survey appears to be defensive.

However, the survey also indicates that for the respondents the expansion of the New gTLD Program has made defensive registrations a less efficient means of protection. Accordingly, it

⁴⁸ Since the publication of the CCT Review Team's draft recommendations for public comment, ICANN Contractual Compliance has considered the review team recommendations in implementing certain changes described in the blogs of October 2017, "Enhancing Transparency in Contractual Compliance Reporting," <https://www.icann.org/news/blog/enhancing-transparency-in-contractual-compliance-reporting>, and March 2018, "Enhancing Transparency in Contractual Compliance Reporting," <https://www.icann.org/news/blog/enhancing-transparency-in-contractual-compliance-reporting-en>.

appears that trademark holders are shifting their protection spending to alternatives and expanded monitoring. Furthermore, the survey suggests that as many as 75% of domain name dispute cases involve entities that have registered their domain names using privacy and proxy services making it difficult to assess whether this abuse is tied to common actors. These results suggest the need for further research in these systems. Finally, there is an indication that enforcement costs have increased in the new domains, which suggests that at least for respondents, there is greater infringement in those new domains than in legacy gTLDs and ccTLDs. The INTA survey suggests that, at the very least, further research is necessary, perhaps with a simplified methodology to encourage a higher completion rate. Nonetheless, the exercise did provide useful information in terms of indicating trends. It is clear that the brand owners that participated in this survey have experienced some frustration with the New gTLD Program and the rights protection mechanisms that have been put in place.

The CCT Review Team also looked to data collected by ICANN as well as data from the World Intellectual Property Organization ("WIPO"). ICANN's metrics data shows that domain name disputes are rising alongside total domain name registrations but does not show a breakdown of the relative use of UDRPs, i.e. the use of UDRPs in new gTLDs as opposed to legacy TLDs. WIPO data for 2017 however does give a strong indication that there is proportionately more trademark infringement in new gTLDs than in legacy TLDs.

The CCT Review Team could not definitively conclude whether the URS is a valuable RPM given its low usage compared to the UDRP. The fact that the TM-PDDRP and RRDRP have not been invoked to date may on the one hand bring into question their effectiveness but may equally suggest that their mere existence is acting as a successful deterrent. Conclusions from the RPM review currently underway may shed some more light on the issue in the near future.

Recommendations

In light of the studies and analyses carried out for this review, the CCT Review Team has developed recommendations that fall into three main categories:

- Requests for more and better data collection
- Policy issues to be addressed by the community
- Suggested reforms relating to transparency and data collection within ICANN Contractual Compliance

The review team has assigned a priority level to each recommendation, which reflects the timeframe in which each should be implemented and the extent to which any particular recommendation should be a prerequisite to further expansion of the DNS.

Data Gathering

In general, the review team's work was hampered by insufficient data on pricing of domain names, including wholesale, retail, and secondary market prices. In addition, collection of data about a country at a regional level would make it possible to assess competition in narrower geographic areas. Furthermore, the lack of data regarding DNS abuse and lack of more granular information about the subject matter of complaints received by ICANN Contractual Compliance also created obstacles to assessing the effectiveness of the safeguards and the

trustworthiness of the new gTLDs. Some of this additional data collection will require changes to registry and registrar contracts, which will take some time, but the review team believes that it is necessary for proper evaluation of reforms to the New gTLD Program. Other data are collected by third parties, and also could be used by ICANN. To the extent possible, relevant data should be made available in an easily accessible and non-confidential form to researchers both within and outside the ICANN community. The CCT Review Team recommends that data gathering become a priority inside ICANN, with an emphasis on data-driven analysis and programmatic success measurement.

ICANN Contractual Compliance

The CCT Review Team found that current data available from ICANN Contractual Compliance are insufficient to measure the enforcement of various contract provisions and the success of safeguards in mitigating downstream consequences to DNS expansion. Part of the problem is transparency, in part due to the lack of granularity of the data that are being collected. The CCT make several recommendations for practical reform within ICANN Contractual Compliance.²⁴

Conclusion

Initial indications are that the New gTLD Program has led to a dramatic increase in consumer choice, a modest, but important, increase in competition, and has had a minimal impact on consumer trust. However, there are several TLDs with a disproportionate level of DNS security abuse and the review team recommends enhancements to various enforcement mechanisms prior to any further additions to the DNS. The review team believes that there is a substantial need for more and better data on both competition and pricing, and on the impact of safeguards on consumer protection.

Appendix 4: Executive Summary of the Final Report on the new gTLD Subsequent Procedures Policy Development Process

Preamble⁴⁹

The objective of this Final Report is to present final recommendations, implementation guidance, and other outputs on topics within the Working Group’s charter. The recommendations, implementation guidance, and other outputs included in this report are the culmination of years of Working Group deliberations and community input that take into account input received through a number of public comment periods, including a survey of existing Stakeholder Group / Constituency / Advisory Committee statements from the 2012 round of new gTLDs, a set of dozens of initial questions aimed at getting input on the processes and results of the 2012 new gTLD round, as well as comments on the Working Group’s Initial Report, Supplemental Initial Report, and draft Final Report.

Part 2 of this report focuses on the substance of topics addressed by the Working Group. Each topic follows the same basic structure, with a focus on Working Group outputs and the rationale associated with these outputs. There are 5 types of outputs: (a) Affirmation, (b) Affirmation with Modification, (c) Recommendation, (d) Implementation Guidance, and/or (e) No Agreement. These are described in the box below. Each topic also briefly summarizes key issues that were raised in deliberations since publication of the Initial

Report and Supplemental Initial Report. This summary does not repeat the comprehensive explanations, background and discussion material included in the Initial and Supplemental Initial Report and should be read in conjunction with the deliberations summary included in the Initial and Supplemental Initial Report. Finally, noting the large number of topics and the interdependency between many subjects, each topic summarizes intersections between the topic and other issue areas, in addition to related efforts outside of the PDP, and the reason for the interdependencies.

Annex C provides the consensus designations for the outputs included in this Final Report.

The Co-Chairs offer sincere gratitude to Working Group members and ICANN Policy Staff for their dedication that has enabled us to deliver this Final Report.

⁴⁹ See pages 1-2 of the Final Report:

<https://gnso.icann.org/sites/default/files/file/field-file-attach/final-report-newgtld-subsequent-procedures-pdp-02feb21-en.pdf>.

Types of New gTLD Subsequent Procedures Working Group outputs⁵⁰

Affirmation: Affirmations indicate that the Working Group believes that an element of the 2012 New gTLD Program was, and continues to be, appropriate, or at a minimum acceptable, to continue in subsequent procedures. Affirmations may apply to one or more of the following:

- Policy Recommendation, Implementation Guideline, or Principle from the 2007 policy
- Existing provisions of the 2012 Applicant Guidebook; or
- Other elements of implementation introduced after the release of the final Applicant Guidebook but applied to the 2012 application round.

In the event the Working Group was unable to recommend an alternate course of action, the Working Group operated on the basis that the “status quo” should remain in place as a default position. This status quo consists of the 2007 policy, the final Applicant Guidebook, and any implementation elements that were put into practice in the 2012 application round.

Affirmation with Modification: Similar to affirmations, but used in cases where the Working Group recommends a relatively small adjustment to the 2012 New gTLD Program’s policies or implementation. In some cases modifications to the policy or implementation language are necessary to reflect what actually occurred during the 2012 gTLD round.

Recommendation: The Working Group expects that the GNSO Council and ultimately the ICANN Board will approve and implement all recommendations set forth in this Final Report, and ICANN Org will work closely with an Implementation Review Team (IRT) to ensure that implementation takes place in line with the Working Group’s intent. Recommendations often address what the Working Group recommends takes place, as opposed to how it should take place. Recommendations typically use the term “must,” indicating that the recommended action is required to take place and/or necessary for the New gTLD Program.

Implementation Guidance: The Working Group strongly recommends the stated action, with a strong presumption that it will be implemented, but recognizes that there may exist valid reasons in particular circumstances to not take the recommended action exactly as described. However, the party to whom the action is directed must make all efforts to achieve the purpose behind the recommended action (as expressed in the rationale and the recommendation to which the implementation guidance is linked, if applicable) even if done through a different course. In all cases, the full implications must be understood and carefully weighed before choosing a different course. Implementation guidance commonly refers to how a recommendation should be implemented. Implementation guidance typically uses the term “should” indicating that the Working Group expects the action to take place, noting the caveats above.

No Agreement: In one case (Topic 23: Closed Generics), the Working Group did not reach agreement on recommendations and/or implementation guidance and there arguably was not a clear “status quo” or default position from the 2012 round to affirm. Therefore, this Final Report attempts to capture the different views of the members of the Working Group, but makes no further assertion about policy or implementation for subsequent procedures on the matter.

⁵⁰ See page 3 of the Final Report.

Executive Summary⁵¹

1.1 Introduction

On 17 December 2015, the GNSO Council initiated a Policy Development Process and chartered the New gTLD Subsequent Procedures Working Group. The Working Group (WG) was tasked with calling upon the community's collective experiences from the 2012 New gTLD Program round to determine what, if any changes may need to be made to the existing Introduction of New Generic Top-Level Domains policy recommendations from 8 August 2007.

As the original policy recommendations adopted by the GNSO Council and ICANN Board have “been designed to produce a systemized and ongoing mechanisms for applicants to propose new top-level domains”, those policy recommendations remain in place for subsequent rounds of the New gTLD Program unless the GNSO Council decides to modify those policy recommendations via a policy development process. The Working Group was chartered to develop new policy principles, recommendations, and implementation guidance or to clarify, amend, or replace existing such elements.

A Call for Volunteers to the Working Group was issued on 27 January 2016. The Working Group held its first meeting on 22 February 2016 and met regularly since that time. With over 250 members and observers in the SubPro Working Group, and dozens of issues to address regarding the 2012 New gTLD Program, the SubPro Co-Chairs divided the initial phase of work into a set of “Overarching Issues” and five Work Tracks. Each of the five Work Tracks covered a number of related issues with the help of one or more Co-Leaders. The first Initial Report was published for public comment on 3 July 2018 and contained the output of the Working Group on the Overarching Issues as well as preliminary recommendations and questions for community feedback from Work Tracks 1-4. The Working Group subsequently produced two supplemental Initial Reports. A Supplemental Initial Report covering additional issues that were deemed to warrant deliberations by the Working Group was published for public comment on 30 October 2018. On 5 December 2018, the Working Group's Work Track 5 published a Supplemental Initial Report for public comment focused exclusively on the topic of geographic names at the top level. Work Track 5 adopted its own Final Report by consensus and submitted it to the full Working Group on 22 October 2019. Given that some of the recommendations were substantively updated following publication of the Initial Report and Supplemental Initial Report, the draft Final Report was published for an additional public comment period on 20 August 2020.

This Final Report is a culmination of the work completed by the Working Group over a period of nearly 5 years. The Working Group is also putting forward without modification the Final Report produced by Work Track 5.

1.2 Draft Final Recommendations and other Outputs

As discussed in the Preamble, this report contains 5 types of outputs: Affirmation, Affirmation with Modification, Recommendation, Implementation Guidance, and No Agreement. Given the broad scope of this Working Group and the extensive list of topics contained in its Charter, the set of outputs are also substantial. As a result, the Working Group has copied all of the outputs

⁵¹ See pages 5-8 of the Final Report.

in a table and make them available in Annex B. The purpose of doing so is twofold: 1) the Working Group wanted to avoid this Executive Summary from becoming too long and repetitive and 2) the Working Group wanted to consolidate the outputs to facilitate community review. *Please see Annex B for the consolidated table of outputs.*

Work Track 5 on Geographic Names at the Top-Level produced a Final Report exclusively focused on the subject of geographic names at the top-level. The recommendations in the report were adopted by the Work Track by consensus and passed to the full Working Group for its consideration. *Please see Annex J for the Work Track Final Report and associated recommendations.*

Annex C provides the consensus designations for the outputs included in this Final Report. In summary, all but 1 of the topics received a designation of either Full Consensus or Consensus. More specifically, 25 topics received Full Consensus, 16 received Consensus and 1 received a designation of Strong Support but Significant Opposition. The Annex provides further detail about the consensus designations for specific outputs under each topic.

1.3 Deliberations and Community Input

The Working Group reached out to all ICANN Supporting Organizations (SOs) and Advisory Committees (ACs) as well as GNSO Stakeholder Groups (SGs) and Constituencies (Cs) with a request for input at the start of its deliberations, which included a specific request for historical statements or Advice relating to new gTLDs.⁵² All responses received were reviewed by the Working Group and incorporated into deliberations for each of its Charter questions. The Working Group also sought to identify other community efforts that either might serve as a dependency to its work or simply an input to be considered. These efforts included the Competition, Consumer Trust & Consumer Choice (CCT) Review Team and the PDP on the Review of All Rights Protection Mechanisms in All gTLDs, among others.

Initially, the Working Group as a whole considered a set of six (6) overarching issues that have an impact on many of the topics contained in the Working Group's Charter. Specific to these overarching issues, the Working Group prepared a set of questions and sought input from all SOs, ACs, SGs, and Cs. This outreach, called Community Comment 1 (CC1)⁵³, and the resulting responses were taken into account in the Working Group's deliberations.

The Working Group determined that the best way to conduct initial work on the approximately 35 remaining topics was to divide the work into four (4) Work Tracks (WTs). Each of these Work Tracks had two Co-Leaders to guide the deliberations. The Work Tracks prepared a second set of questions, called Community Comment 2 (CC2)⁵⁴, on the subjects within their respective remit. CC2 was issued directly to all SO/AC/SG/Cs, but also published for public comment. The resulting responses were taken into account in the Working Group's deliberations.

⁵² See outreach and inputs received on the Wiki here: <https://community.icann.org/x/2R6OAw>.

⁵³ See Community Comment 1 outreach and inputs received, on the Wiki here: <https://community.icann.org/x/3B6OAw>.

⁵⁴ See Community Comment 2 outreach and inputs received, on the Wiki here: <https://community.icann.org/x/Gq7DAw>.

Public comment periods were held on the Working Group's Initial Report, Supplemental Initial Report, and draft Final Report. Input received through these public comment period was taken into account in the Working Group's deliberations.

At ICANN meetings, the Working Group engaged in direct outreach with the Governmental Advisory Committee (GAC) and the At-Large Advisory Committee (ALAC) with a focus on topics known to be of particular interest to these groups (e.g., community-based applications, Applicant Support, etc.). These outreach efforts aided the Working Group's deliberations, particularly by helping to ensure that viewpoints from community members outside of the Working Group were also considered.

As noted in the Preamble, in early 2018, the Working Group established a Work Track 5 (WT5), dedicated to the singular topic of geographic names at the top-level. Work Track 5 published its own Final Report, attached as Annex J, which took into account input received through public comment on Work Track 5's own Supplemental Initial Report. Work Track 5 conducted outreach by connecting to the relevant communities through Work Track Co-Leaders and participants engaged in those communities. There was a Work Track Co-Leader representing each of the ALAC, the ccNSO, the GAC, and the GNSO. While serving WT5 in a neutral manner, the Co-Leaders also acted as liaisons to their respective communities, ensuring that members of their communities are aware of the work and of the opportunities to engage. The Work Track 5 Co-Leaders regularly met with SOs and ACs during ICANN meetings. Further engagement took place through cross-community sessions held at ICANN59 and ICANN62 on the topic of geographic names at the top level.

1.4 Conclusions and Next Steps

The Final Report and outputs are being delivered to the GNSO Council for its consideration. If adopted by the GNSO Council, they will be submitted to the ICANN Board for consideration.

Appendix 5: Executive Summary of the Operational Design Assessment (ODA)

Document Overview⁵⁵

The information presented in this Operational Design Assessment (ODA) encapsulates a year of work to analyze the 300-plus outputs of the Final Report on the New gTLD Subsequent Procedures Policy Development Process. Accordingly, ICANN org's analysis and assessment are extensive, which presented a challenge as to how to present that information as clearly and as succinctly as possible.

The key findings of ICANN org's analysis are generally summarized in the main body of this document (such as issues, dependencies, and operational considerations). Supplemental, detailed information and analyses are found in the appendices (such as specific analysis on each Final Report topic, or additional information regarding operational considerations and assessments).

Specifically, ICANN org has structured the ODA as follows:

- **Executive Summary:** This section provides a high-level overview of the findings of the Operational Design Phase (ODP).
- **General Observations:** This section provides ICANN org's general comments on the SubPro Final Report and outputs.
- **Issues:** This section provides an overview of topics and outputs that may need additional discussion and consideration by the Board to determine if an output is implementable, operable, and in the best interest of the ICANN community or ICANN org.
- **Dependencies:** This section provides an overview and analysis of topics that are considered dependencies to the opening of the next round.
- **Operational Considerations:** This section provides an overview and analysis of ICANN org's assessment of operational topics, such as finance, risk, system and tools, vendors and third parties, resources and staff, and timelines.
- **Overarching Considerations:** This section provides ICANN org's assessment of overarching topics, such as governance, communications, Applicant Support, Registry Service Provider Pre-Evaluation, the Registry Agreement, and Global Public Interest.
- **Appendices:** The appendices include ICANN org's, assumptions, background and methodology on the work of the ODP, supplemental policy analysis, topic analysis, overview of the Business Process Design, and additional details on dependencies. The appendices also contain more details on the operational, finance, systems, risk and Global Public Interest Framework assessments. Additionally, you will find supplemental information on vendors and third parties, communication strategy, timeline, RSP

⁵⁵ See page 8 of the Operational Design Assessment (<https://www.icann.org/en/system/files/files/subpro-oda-12dec22-en.pdf>).

pre-approval, technical evaluation, and RST processes, applicant support, predictability, community updates and engagement, and alternate proposals.

Executive Summary⁵⁶

On 12 September 2021, the Board directed the ICANN President and CEO to organize the resources required to begin work on an Operational Design Phase (ODP) for the [New Generic Top Level Domain \(gTLD\) Subsequent Procedures Policy Development Process Final Report](#) (SubPro Final Report) and the Affirmations, Recommendations, and Implementation Guidance (SubPro Final Report outputs) contained therein. As the SubPro Final Report outputs concerned complex operational requirements, the Board decided it would benefit from further due diligence to evaluate the impact of implementing the SubPro Final Report outputs. In the [rationale](#) for its decision, the Board noted that “initiating an ODP for the Final Report outputs is essential to inform the Board's deliberations, including whether the recommendations are in the best interests of the ICANN community or ICANN.”

The Board rationale, in part, addressed community concerns with regard to the ODP creating a potential delay in implementation of the next round, noting that the ODP is “expected to streamline the implementation phase due to the investment in advance preparations.” The Board also saw the ODP as an opportunity to resolve additional concerns related to “address[ing] dependencies before the application window for subsequent rounds of new gTLDs opens”, as the ODP would allow for the Board to “define, clarify, and resolve [such] dependencies”.

The outcome of the ODP is this Operational Design Assessment (ODA), which is delivered to the Board for its consideration alongside the SubPro Final Report outputs, public comment on the same, and other relevant materials. ICANN org acknowledges that the Board may have additional requests for information and will provide responses as required. The ICANN community will also have the opportunity to hear from ICANN org regarding the ODA and provide any feedback via a webinar. ICANN community feedback can also be submitted via the mailing list at subpro-odp@icann.org.

General Observations

The SubPro Final Report outputs developed by the community through the bottom-up multistakeholder model provide the vision for the next round of the New gTLD Program. Overall, the SubPro Final Report outputs call for ICANN to develop a process for those entities interested in operating a gTLD to submit an application during a defined timeframe. ICANN org, with support from selected third-party experts and vendors, would evaluate each application to ensure that applicants meet technical, financial, and other standards developed by the community. The New gTLD Program also includes opportunities for third parties with standing to raise concerns or objections to particular applications based on certain grounds. Applications for the same or similar strings would have the option of working out a solution among competing applicants, or as a last resort, through an auction sponsored by ICANN.

⁵⁶ See pages 9-20 of the Operational Design Assessment.

ICANN org has determined that a majority of the SubPro Final Report outputs are implementable and can be embodied in the New gTLD Program. Further, ICANN org finds that the SubPro Final Report outputs encompass mechanisms to support diversity, predictability, and innovation.

ICANN org also notes that the assessment of the SubPro Final Report outputs based on the Global Public Interest Framework, which was piloted on the ODPs for the System for Standardized Access and Disclosure and SubPro, shows that **the Global Public Interest (GPI) was central to the discussions involved in this Policy Development Process (PDP)**. The SubPro Final Report outputs addressed a range of GPI considerations, and results from ICANN org's GPI pilot framework show that more than three-quarters (78%) of the topics reference GPI terms.

Operational Considerations and Paths to Implementation

A major component of ICANN org's work in the ODP was to conduct an analysis of the potential timeline, costs, resource requirements, systems needs, and risks related to implementation of the SubPro Final Report outputs. The analysis provided in this ODA presents ICANN org's assessment based on the goal of delivering on all 300-plus outputs of the SubPro Final Report to the maximum extent possible. An example of how this implementation would look in practice can be found in the proposed Business Process Design for future rounds of the New gTLD Program. The Business Process Design explores the major phases of the New gTLD Program. ICANN org expects that the proposed design will provide support to the eventual work of the Implementation Review Team (IRT) and a starting point for implementation of the SubPro Final Report outputs.

ICANN org did not find that all SubPro Final Report outputs were complex, in terms of resources required or difficulty of implementation. Some are straightforward. However, when combined into a sweeping design for the next round of the New gTLD Program, implementation quickly becomes complex. Additionally, in its analysis of how implementation of the next round of the New gTLD Program would be carried out, ICANN org sought to ensure that it incorporated learnings from the previous round to avoid some challenges and mitigate against others.

Upon completion of its analysis, ICANN org found that **the overall implementation cost for the next round of the New gTLD Program would be higher than the 2012 round, likely significantly so.**

ICANN org notes that there are a few reasons for this: 1) implementing the SubPro Final Report outputs, which includes ensuring that the appropriate systems, procedures, processes, and resources are all in place in time for the opening of the next application submission period—and to mitigate challenges faced in the past—will require considerable upfront cost; 2) inflation, including increased vendor costs; 3) added complexities in the recommendations versus the 2012 round; and, 4) the need to ensure that tools for applicant assistance and other resources are in place.

ICANN org is prepared to begin the implementation process of the SubPro Final Report outputs as directed by the Board; it is also committed to ensuring it is conducting its due diligence in consideration of the implementation of the SubPro Final Report outputs.

In this light, ICANN org presents two potential paths forward (“options”) for implementation of the SubPro Final Report outputs: 1) a single application submission period per round; and 2) cyclical application submission periods. The first is based on the majority of the analysis in this ODA; the second is explored in detail in Appendix 19: Alternate Proposals.

Option 1: One Application Submission Period Per Round

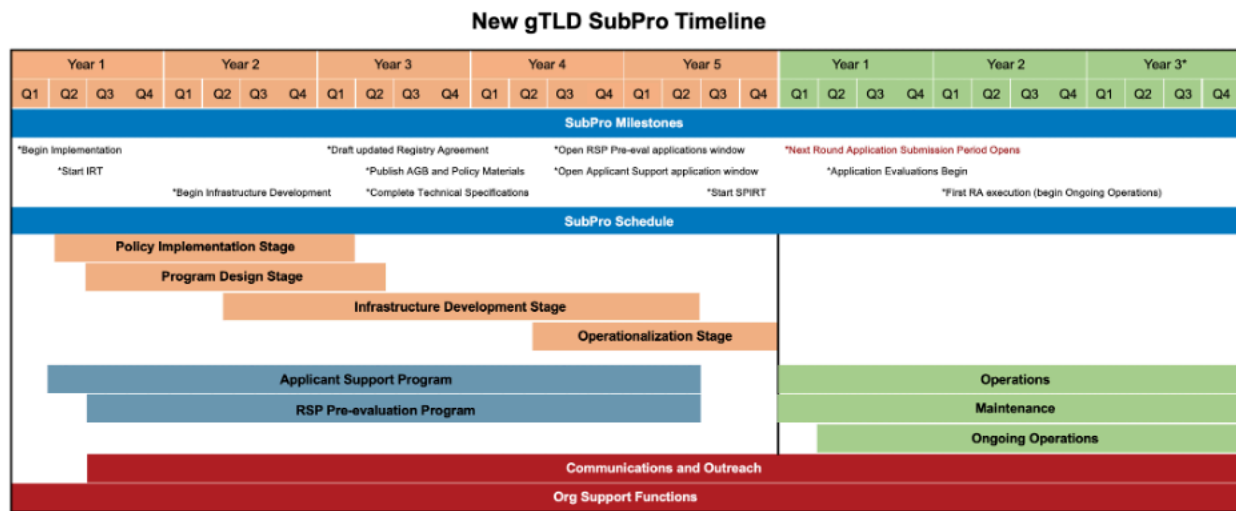
The analysis in this ODA is largely based on the assumption that ICANN org will implement all SubPro Final Report outputs to the maximum extent possible in a single, immediate next round, for which there are no submission⁵⁷ or processing/capacity limits. This analysis forms the basis for the first option, described below.

Timeline

In the scenario in which ICANN org implements the SubPro Final Report outputs in a single, immediate next round, **ICANN org estimates that implementation of the next round of the New gTLD Program may take at least five years from the point that the Board directs ICANN org to begin implementation to the opening of the application submission window.** This estimate includes time for policy implementation, process design, infrastructure development as well as for communications and outreach. The estimated implementation timeline is shown in Figure ES-1. More analysis regarding the potential timeline can be found in the Timeline section.

⁵⁷ Affirmation 5.1: “In the 2012 application round, no limits were placed on the number of applications in total or from any particular entity. The Working Group is not recommending any changes to this practice and therefore affirms the existing implementation.”

Figure ES-1. New gTLD SubPro Timeline



Cost

As noted above, ICANN org has found multiple factors that can lead to significantly higher costs for implementation of the next round of the New gTLD Program. **ICANN org estimates that the overall cost for the next round of the New gTLD Program will be approximately \$457 million, as shown in Table ES-1.**⁵⁸ For comparison, ICANN org estimates that as of the time of this report, the total cost to develop and operate the 2012 round was \$300 million. More analysis regarding the potential costs can be found in the Finance section.

Table ES-1. SubPro Financials

Estimated SubPro Financials	Program Costs
USD in millions	Total \$
# of Applications	2,000
New gTLD Applicant Fees	\$540.0
Applicant Support	(\$2.0)
Refunds	(\$80.7)
Applicant Fees (Net of Refunds)	\$457.3
Program Assessment (ODP)	(\$8.0)
Program Scope (Policy & IRT)	(\$6.9)
Program Development	(\$110.1)
Development / Implementation	(\$125.0)
Initial and Extended Evaluation	(\$57.3)
Quality Control and Objection Processes	(\$15.4)

⁵⁸ This is the total cost to design, implement, and process 2,000 applications, the working assumption for volume of applications based on the 2012 round.

Pre-delegation	(\$14.7)
Program Operations	(\$168.7)
Risk / Unforeseen Costs	(\$76.2)
Total Operating Costs	(\$332.3)
Total Program Costs	(\$457.3)
Program Excess/(Deficit)	(\$0.0)
Application Fee	\$ 270,000

Systems and Tools

The figures above include approximately **\$50 million for building and deploying the New gTLD Program infrastructure, including all resourcing, software licensing, and administrative overhead during implementation** (further broken down in Table ES-2). These costs would be required for developing 18 system services to support the New gTLD Program (e.g., applicant registration, application comments, background screening). For reference, spending for IT-related activities for the 2012 round was estimated at \$20–30 million, with no reusable systems functionality retained. ICANN org expects that the results of this investment would be a complete and scalable system for the entire application process workflow, which is highly automated and requires fewer human resources. More analysis regarding potential systems needs can be found in the Systems and Tools section.

Table ES-2: Cost Estimate for Software and System Development

Cost drivers	Cost est. (\$M)
Implementation headcount total	\$45.0M
Licenses during implementation	\$2.2M
Admin during implementation	\$0.3K
Total implementation cost est	\$47.5 (\$M)

Resources and Staffing

Regarding staffing resources, **ICANN org estimates that resource needs will peak at 125 full-time equivalents (FTEs) during the program development phase and that ongoing requirements will be at 114 FTEs.** ICANN org estimates that the first year of policy implementation and New gTLD Program design development, including supporting the IRT, will include 35 to 40 current staff working partially on the New gTLD Program, 25 to 30 dedicated new staff hired throughout the phase, and 10 to 15 contractors. Additionally, ICANN org anticipates that 50 to 60 new dedicated staff will be hired throughout the New gTLD Program and remain within the New gTLD Program for the next round and all future rounds. More analysis regarding the potential resource needs can be found in the Resources and Staffing section.

Vendors and Third Parties

Approximately \$145 million of the total 2012 application fees was spent on vendor expenses, and a similar situation is anticipated during the next and future rounds. ICANN org expects that **more than three dozen vendors will be required to support the processes called for by the SubPro Final Report outputs.** Vendor needs are not limited to operating New gTLD Program processes but encompass all aspects of implementation and operation of the next round. More analysis regarding potential vendor needs can be found in the Vendors and Third Parties section.

Risks

As noted above, ICANN org identified a **key risk related to unknown demand, driving uncertainty into ICANN org’s analysis.** Significant financial investments could be made in advance of applications being accepted. If the number of applications is significantly less than estimates, the negative financial impact could be material. More analysis regarding risks can be found in the Risk section.

Option 2: Cyclical Application Submission Periods

The scenario above, in which ICANN org implements all SubPro Final Report outputs to the maximum extent possible in a single, immediate next round, results in an overall implementation cost significantly higher than the 2012 round. While the New gTLD Program is meant to operate on a cost-recovery basis, the total cost for implementation has a significant impact on ICANN org’s financial condition and thus creates significant risk in the event demand in future rounds is lower than expected.

The SubPro Final Report provides multiple mechanisms to help ensure predictability for the applicant in the application process (e.g., requiring the publication of all process materials before the round launches⁵⁹ and creating new processes for how to deal with issues that might arise via the Predictability Framework and Standing Predictability Implementation Review Team (SPIRT)⁶⁰). What is not accounted for in the SubPro Final Report, however, is predictability in the demand for new gTLDs. There is a **risk that the foundational assumption that the application volume for the next round will be commensurate with the previous round (i.e., 2,000 applications) is either too high or too low.** Demand is extremely challenging to predict, and it is quite possible that ICANN org could over-invest in communication efforts, systems development, and similar costs to such a degree that those costs may never be recovered. ICANN org faced this issue in 2012 as well and it remains an open issue; one that an alternative approach to implementation may address.

As part of this exercise, ICANN org considered ways to mitigate the risk of unknown demand, and ways to gain efficiencies in the implementation timeline. Balancing a number of factors, such as cost, time, and predictability, ICANN org has developed a proposal for “Cyclical

⁵⁹ Recommendation 12.8: “The English version of the Applicant Guidebook must be issued at least four (4) months prior to the commencement of the applicant submission period.”

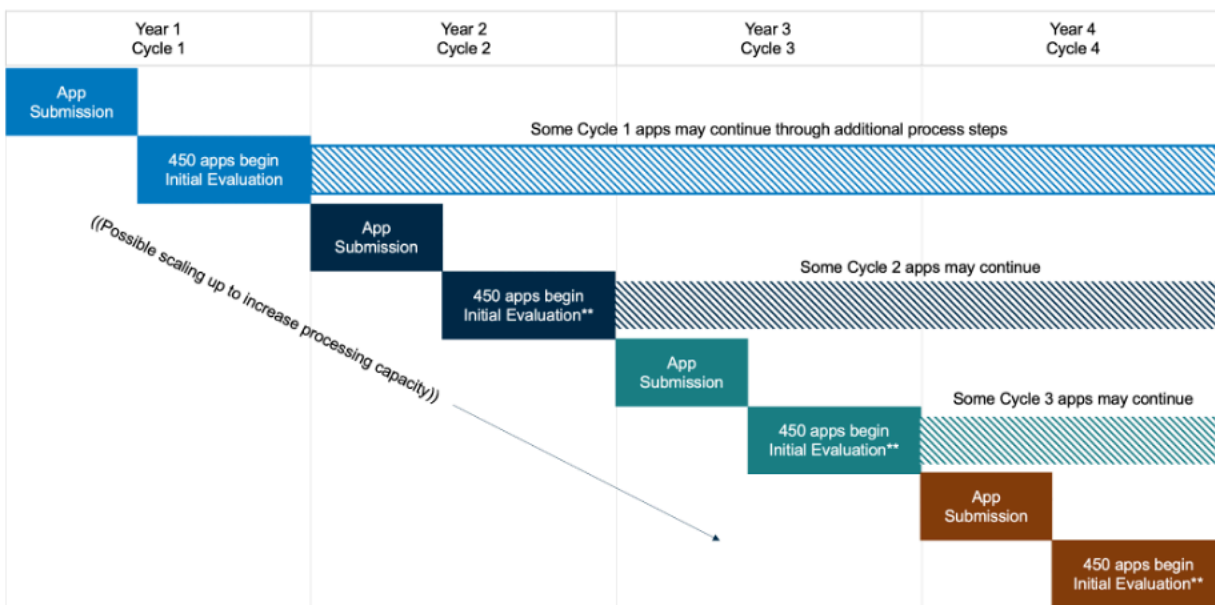
⁶⁰ Recommendation 2.1: “ICANN must establish predictable, transparent, and fair processes and procedures for managing issues that arise in the New gTLD Program after the Applicant Guidebook is approved which may result in changes to the Program and its supporting processes. The Working Group recommends that ICANN org use the Predictability Framework detailed in Annex E of this Report as its guidance during implementation to achieve the goal of predictability in mitigating issues.”

Application Submission Periods” for consideration by the Board in its deliberations on the SubPro Final Report outputs.

Under this alternative proposal, the immediate next round would be split into four application submission periods, or cycles, occurring annually. While the number of applications that can be submitted in a cycle would remain unlimited (per Affirmation 5.1⁶¹), the applications received in each cycle would be prioritized and processed based on an established capacity limit.⁶² For example, in a scenario where processing capacity is set at 450 applications per year, ICANN org can build processing capacity for regular annual cycles of the same size. Should the volume be significantly higher, such that additional capacity would be needed to process the applications in a reasonable timeframe, ICANN org could then invest in developing the systems, tools, and capacity to process these efficiently. ICANN org notes additional resources and planning would be required for the development of such systems and tools.

Under Option 2, a round would consist of four application “cycles” over four years. Application submission periods would occur every 12 months for the four years, creating predictability for the Program and potentially moderating the influx of applications in the first cycle. The annual processing capacity limit of 450 applications would occur in tandem with each cycle.

Figure ES-2. Four Application Cycles⁶³



When a new cycle begins, initial evaluation would begin according to priority order. For example, as shown in Figure ES-2, at Cycle 2, any remaining Cycle 1 applications (up to 450)

⁶¹ Affirmation 5.1: “In the 2012 application round, no limits were placed on the number of applications in total or from any particular entity. The Working Group is not recommending any changes to this practice and therefore affirms the existing implementation.”

⁶² See Appendix 19: Alternate Proposals for additional discussion of considerations including discussion of a “First Come First Served” (FCFS) approach.

⁶³ Note that the boxes are not drawn to time scale.

would go into initial evaluation before any Cycle 2 applications. At Cycle 3, any remaining applications from Cycles 1 and 2 would go into Initial Evaluation before any Cycle 3 applications, and so forth.

While the substance of the rules and procedures would not change throughout the round, ICANN org notes that there may be some opportunities for process improvements between each cycle to help realize efficiencies. See Appendix 19: Alternate Proposals for a full explanation of the design components for Option 2.

Benefits and Challenges

ICANN org notes several benefits and challenges of proceeding with Option 2.

Benefits

ICANN org notes that this proposal would firstly allow ICANN org to design a program aligned to a specific application processing capacity per cycle. Such a design can be based on a known volume, which allows for accurate vendor requirements, specific staffing and oversight levels and could result in improved predictability for many processes. This process helps enable a transition from application rounds as unique, custom-designed occurrences to a steady state of regular program operations. The proposal may enable ICANN org to gain experience, hone processes, add functionality, and enhance the applicant experience more quickly than a large round could offer.

Additionally, the multi-year, multi-cycle structure of ongoing rounds would provide increased predictability for stakeholders. The expectation for a predictable process to the maximum extent feasible was discussed at length in the SubPro Final Report (see Appendix 19: Alternate Proposals for more discussion on this benefit). Having predictable and multiple opportunities to submit applications also provides flexibility to potential applicants to plan and prepare a robust gTLD application. This may be especially beneficial to new entrants who would need to invest more time and resources in education about the opportunities.

ICANN org also finds that clear milestones of application cycles scheduled over a period of time would likely benefit ICANN org's communications activities because ICANN org would have more time to conduct communications across a multi-year period.

Challenges

In developing this proposal, ICANN org has noted a challenge related to establishing a processing capacity limit and to avoiding the risk that applicants would compete to submit applications all at once or during a limited time period. Accordingly, in the event that the number of applications received in a cycle exceeds the processing capacity limit, the proposal includes a prioritization draw according to the process established in the 2012 round, to determine the first batch of 450 that would be processed in the first year.

Another challenge the team considered in developing this proposal is the impact on various stakeholder groups. For instance, given the importance of supporting global participation in future rounds, the more limited the application opportunity presents the risk that those who are currently engaged in the ICANN ecosystem would have an advantage over new entrants,

especially for the immediate first cycle. ICANN org finds this would need to be mitigated with the outreach and engagement strategy as well as applicant resources developed in advance of the first cycle.

In the event that more than 450 applications are received in the first cycle, this approach may reduce some of the potential efficiencies that could be achieved by processing portfolio applications, which are identical in most respects other than the applied-for string, together. Under this proposal, it is possible that evaluation of such groups of applications may be split into different batches of 450. However, some processing efficiencies can still be realized within the batch.

Timing Implications

Within Option 2, ICANN org proposes to open the Application Submission Period for the next round 18 months after beginning implementation. In order to achieve this, a number of the considerations and program elements presented in this ODA may need to be adjusted. These adjustments may impact the scope and costs of the program.

Option 2 assumes a timeline 70% shorter than the timeline noted in Option 1. In order to maintain the same scope for Option 2 of addressing all outputs of the SubPro Final Report to the maximum extent possible, ICANN org will need to organize an implementation team that can operate three times faster than what was assessed in the ODA (forming the basis for the scenario in Option 1, discussed above). This additional capability will require more development, management, and administrative staff during the 18-month implementation timeline.

One other possible way to achieve an overall shorter timeline and control costs and resource requirements would be to consider changes to the implementation scope. Eliminating or deferring some of the more difficult or complex outputs from the implementation plan could shrink the overall implementation workload, thereby requiring fewer resources (staff and vendors) and less time.

Financial Implications

The most impactful financial adjustments taken into account for Option 2 are the shorter timeline for program development and the level of investment in systems and tools for processing applications. A lower upfront investment in systems and tools lowers New gTLD Program development costs significantly from Option 1. However, due to less automation, additional staff will be required for application processing. The incremental staff will also need extra infrastructure, training, and management. See the estimated financials for Option 2 in Table ES-3.

Fluctuations in demand and/or changes in policies and processes that may occur over cycles could change the baseline application fee needed to maintain cost neutrality of the program. In order to maintain consistency in the application fee in each round, these fluctuations may drive either an excess or a deficit that will need to be assessed and possibly applied toward future rounds. See Appendix 19: Alternate Proposals for full discussion of timing and financial implications of Option 2.

Table ES-3. SubPro Financials - Option 2

Estimated SubPro Financials Option 2: Batching	Option 2: Batching
USD in millions	Total \$
# of Applications	2,000
New gTLD Applicant Fees	\$481.2
Applicant Support	(\$2.0)
Refunds	(\$72.2)
Applicant Fees (Net of Refunds)	\$407.0
Program Assessment (ODP)	(\$8.0)
Program Scope (Policy & IRT)	(\$6.9)
Program Development	(\$52.6)
Development / Implementation	(\$67.4)
Initial and Extended Evaluation	(\$57.3)
Quality Control and Objection Processes	(\$15.4)
Pre-delegation	(\$14.7)
Program Operations	(\$176.0)
Risk / Unforeseen Costs	(\$76.2)
Total Program Costs	(\$339.6)
Total Program Costs	(\$407.1)
Program Excess/(Deficit)	(\$0.0)
Application Fee	\$ 240,600

Unresolved Issues and Dependencies

ICANN org also notes that in both Options 1 and 2 described above, some deviation from the SubPro Final Report Outputs may be required, whether due to feasibility concerns or because the Option proposed inherently differs in some ways from the SubPro Final Report. ICANN org describes these issues in more detail in the Issues and Dependencies sections.

Overarching Considerations

Finally, there are additional key overarching considerations and program elements (e.g., governance, communications, Applicant Support, security and stability) that underpin success of the New gTLD Program. These elements will need to be taken into account in both of the scenarios described above. Depending on the path forward for implementation, the scope of some of these elements may change (e.g., the communications strategy should be fit

appropriately to the overall implementation). These elements are discussed in more detail in the Overarching Considerations section.

Next Steps after the ODP

The ODA is being delivered to the ICANN Board for its consideration, and any work that ICANN org ultimately conducts to implement the SubPro Final Report Outputs is dependent upon the Board's action. ICANN org recognizes that the proposed actions discussed in this ODA may change and evolve during the course of implementation (which is conducted in consultation with the Implementation Review Team (IRT)) of the Board-accepted SubPro Final Report Outputs.

This ODA provides ICANN org's analysis of the SubPro Final Report Outputs and two potential paths to implement and operationalize. Option 2 as well as those additional alternative scenarios discussed in Appendix 19: Alternate Proposals offer a sampling of ways in which some issues might be addressed. However, these are not an exhaustive list and other options are certainly available. It is improbable that a "perfect" approach could be developed that addresses all concerns and risks, while being able to promptly implement future rounds.

Potential next steps may include:

1. Further discussion between ICANN org and the Board on the challenges and benefits of the different options.
2. Board consultation with the GNSO.
3. Determination of the top areas of focus that should be evaluated in developing a plan for implementation.
4. Development of one or more detailed alternate plans.
5. Development of a financial model that estimates required investment and program costs for Option 2 or a different alternate path.



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