At-Large's Subsequent Procedures Scorecard:
Application Fees & Variable Fees

Justine Chew

At-Large Consolidated Policy Working Group (CPWG) Call
Wednesday, 29 January 2020, 19:00 UTC

APPLICATION SUBMISSION

Topic/Area:	[17] APPLICATION FEES [2.5.1] [18] VARIABLE FEES [2.5.2]	Priority:	MEDIUM	Settled On:	
Related:	• Cost Recovery Principle • Applicant Support Program [2.5.4] • *Community Applications [2.9.1]??*				
Key Issues:	• Do we keep to the Cost Recovery Principle (or "revenue neutral" principle) in setting application fees? • If "yes" to Cost Recovery, it is for ICANN Org / GDD to tabulate and present the cost of the 2012 Program; the difficulty is the 2012 Program hasn't concluded and there are still "costs" pending/budgeted for. However, what elements should be factored into "cost"? • Notwithstanding, should we stipulate an application fee floor which sufficiently mitigates risk of speculation, warehousing, "abuse" etc while still making it attractive to invest in running a new gTLD? • In such situation if we were to set a fee level based on best estimate, how should we deal with any excess collected or shortfall incurred in subsequent procedures? For Next Round, possible scenarios [1] Actual should-have-been application fee per "revenue neutral" principle Shortfall **Application fee floor** Buffer to deter speculation, warehousing, abuse etc? Excess [0] Estimated application fee per "revenue neutral" principle Estimated application fee [2] Actual should-have-been application fee per "revenue neutral" principle				

Policy Goals:	The gTLD evaluation fee is set to **recover costs** associated with the new gTLD program. The fee is set to ensure that the program is **fully funded and revenue neutral and is not subsidized by existing contributions from ICANN funding sources, including generic TLD registries and registrars, ccTLD contributions and RIR contributions**
Assigned CCT-RT Rec's:	None
References:	• SubPro WG Application Submission_Summary Document, 7 January 2020 • SubPro WG Working Document_SubPro Draft Final Recommendations, 26 January 2020

What has SubPro PDP WG concluded?	**What will/might SubPro PDP WG affirm and/or recommend?**	Is this acceptable? If not, why so?	What else needs to be done and by/with whom?
1. After considering various inputs regarding the question of single base fee, differing circumstances experienced from 2012 round, GAC Nairobi Communique (2010) etc – • no agreement to recommend charging different fees for different types of application • no agreement on feasible path for different fees • retain single base fee with additional fees where additional costs incurred to avoid excessive cross-subsidization	Affirmation, per 2012 round, that: • All applications in subsequent procedures should pay the **same base application fee regardless of application type or number of applications submitted by same applicant**, not precluding additional fees as needed (ie. For Community Priority Evaluation, Registry Service Evaluation Process, etc); • **Successful Applicant Support Program candidates will be eligible for reduced application fee**.		

	• enhance Applicant Support Program in SubPro to better service ASP goal		
2. Support for overall funding approach in 2012 round – should be self-sustaining and operate on cost recovery basis with goal of being revenue neutral	<u>Affirmation</u> for: • Implementation Guidance B: "Application fees will be designed to ensure that adequate resources exist to cover the total cost to administer new gTLD process. Application fees may differ for applicants." • Stated policy goal		
3. Guidance on application fee vs application fee floor	<u>Implementation Guidance:</u> In event estimated application fee (based on revenue neutral principle) falls below predetermined threshold amount (ie application fee floor), actual application fee should be set at that higher application fee floor instead		
4. Excess fees collected should at least in part be returned to applicants – disbursement mechanism to be communicated in advance	<u>Recommendation:</u> In managing funds for New gTLD Program, ICANN should have a plan in place for managing any excess fees collected or budget shortfalls experienced. The plan for management and disbursement of excess fees (if any) should be communicated in advance of		

	accepting applications and collecting fees <u>Implementation Guidance</u>: • If excess fees collected, at least some portion of this excess should be returned to applicants. Disbursement mechanism should be communicated before submission of applications and fees to ICANN		
5. In event of excess fees, excess should be used to benefit one or more of: (a) general outreach (b) long-term program need (c) Applicant Support Program (d) Top-up of shortfall in segregated fund	• In the event that an application fee floor is used to determine the application fee, excess fees received should be used to benefit one or more of: (a) general outreach and awareness of New gTLD Program (eg universal awareness, UA initiatives); (b) long-term program needs – system updates, fixed assets etc; (c) Application Support Program; or (d) Top-up any shortfall in the segregated fund described below		
6. Need for mechanism to deal with potential overall budget shortfall	• To help alleviate potential burden of overall shortfall, set up **separate segregated fund to absorb shortfall** and topped-up in a later round. Amount of contingency should be a		

What has SubPro PDP WG concluded?	**What SubPro PDP WG will likely omit?**	Is this acceptable? If not, why so?	What else needs to be done and by/with whom?
	predetermined value, reviewed periodically to ensure adequacy.		
7.			

PENDING ISSUES:	SubPro PDP WG reaction	Anything missing?	What else needs to be done and by/with whom?
8. ICANN Org's request for guidance on fee floor amount or criteria by which it is established	No agreement on specific amount or criteria, noting some public comments received to IR, suggests further study in implementation phase of what level of fee floor would effectively deter behaviours that fee floor seeks to prevent		Maintain line of enquiry with GDD on (1) elements should be factored into "cost" and (2) whether 2012 fee amount generates excess or shortfall. Take up as Advice to Board (if necessary and depending on timing of GDD response)
Position:			