

ICANN

**Moderator: Brenda Brewer
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12:00 pm CT**

Coordinator: ...have started.

Chuck Gomes: Thank you. So this is the Design Team O meeting on the 18th of November at 1800 UTC. This is Chuck Gomes. And I will try to lead this meeting. Thanks for each of you who have joined. In Adobe we have Cheryl and Lise. Lise, thank you for joining us, I appreciate that. Myself, Mary, Olivier, Trang and Xavier is on, good. Are you on the audio, Xavier or just the Adobe?

Xavier Chavez: Can you hear me?

Chuck Gomes: Yes, I can hear you just fine. Thank you. Okay so...

((Crosstalk))

Xavier Chavez: And, Chuck, sorry, Trang and I are in my office and were going to also dial in from the phone and not just from my computer microphone. So as soon as we have done that then I will mute my microphone on Adobe.

Chuck Gomes: Okay thanks, appreciate it. Well let me start off by talking about the objectives for this call. And we can add other objectives, these were the ones that I had in mind. First of all Xavier and his team have prepared an excellent presentation to get us started on the IANA budget discussion. And I'm going to ask him if he's willing to go over that in just a few minutes. So our first objective is to make sure we have a good understanding of the presentation.

Second objective would be at least on a preliminary level for each of us on Design Team O to discuss whether or not we think using the base approach, the base assumptions that Xavier has in his presentation are sufficient to meet the recommendations of the CWG for the IANA transition. And if not identify areas where we think it's not sufficient. And I'm not suggesting that it's not at all so I want to open discussion on that.

The third objective would be to determine what to present to the full working group tomorrow with regard to this so we can get them thinking about the assumptions that will be made with regard to the implementation of PTI and other issues related to the transition.

Now let me stop there. Does anybody want to add any other objectives to this call? And Alan, welcome back from vacation. We hope it was a good one.

Alan Greenberg: Vacation was good but that was two weeks ago and I don't even remember it at this point.

Chuck Gomes: Okay well. Must not have been that good then.

Alan Greenberg: I do remember it but it seems to have been a long time ago.

Chuck Gomes: Okay, not seeing any hands. Is there anybody that's on the call that is not in Adobe Connect?

Chuck Gomes: Okay.

Cheryl Langdon-Orr: I keep getting dropped out, Chuck, so...

Chuck Gomes: Well you know what to do, Cheryl, when you want to speak and you're not in Adobe...

((Crosstalk))

Cheryl Langdon-Orr: Yeah, thanks.

Chuck Gomes: Okay. And I will try not to ignore you, that's hard to do, right? So all right so let's get going. And can we bring up the presentation from Xavier in the Adobe room and we will ask Xavier to go through it. And Xavier, let me say a special thanks because I know you pulled this together very quickly and yet I think it's really an excellent start for what we need. And you went even further than I had hoped so thank you very much. And notice that Cheryl is clapping in Adobe for you and all of the rest of us too I'm sure. So thank you very very much for that.

And, Xavier, I'll let you go through it however you like. If you're comfortable with questions as we go just let us know. If you'd rather go through the whole thing and then ask questions that's fine too, it's your call. So it looks like the presentation is now up. So Xavier, I will turn it over to you.

Xavier Chavez: Thank you Chuck. And just to repeat the comment that I just put into the chat, don't congratulate me because it's teamwork and at a minimum Trang and I

have been working together on this and using other staff members help as well so it's never just one person.

So can I have the next slide please. Thank you. So we wanted to lay out here the basic components of what we believe needed to be reflected in the plan. We're not necessarily yet saying how but we are suggesting at least to map out the components of the proposals that we should consider in some or a bit more visible or clear, and others are not yet visible or clear, as to what type of impact they would have. But at least I think it would be helpful to review with this group are we collectively missing anything.

So one, the creation of the PTI, presumably if we use the current proposals this is something that's going to happen so we would want to reflect that into the plan. There is not actually, from a planning standpoint there is not necessarily a lot to spell out relative to the legal entity other than simply explain that it would exist and therefore the number of information data points would be produced pertaining to that legal entity. But obviously we would spell out in the plan we are assuming at some point during fiscal year '17 that PTI is created and that would be a driving assumption.

There would be also a certain amount of assumptions relative to transfer of resources into the PTI. You could have a completely model very simply where no resources are effectively contractually transferred into the PTI but there is a landing mode or a mode where we - ICANN operations land the number of identified resources to the PTI and the cost of those resources is charged to the PTI but you'd have nothing in the PTI; or you have the complete opposite where you transfer all the resources in a dedicated fashion into the legal entity and it's a much more -- it's loaded I would say with the resources rather than simply a contractual commitment.

Chuck Gomes: Xavier, are you comfortable with questions as we go through?

Xavier Chavez: I would suggest that we at least wait and till the end of the slide to ask questions so that we can...

Chuck Gomes: That's fine. Okay.

Xavier Chavez: Okay, thank you. And so Number 2, we know we're going to have a number of processes that don't exist today that will need to be carried out. So those would need to be mapped into the plan. We have laid out here the IANA function review that needs to happen, the customer standing committee reviews and meetings that need to happen. So those are activities that don't exist today that would need to be mapped out if there is anything that we are missing in this picture please let us know.

But we also know that we are going to have new accountable mechanisms to implement. And one fairly obvious action as a result of that is to rewrite the bylaws. We will probably need to spell that out into the plan, I'm not sure how much impact that will have visibly into the plan but it's an activity that will happen.

And then reflecting the community powers from an operational impact is also something we will need to do. What those impacts are going to be is as of yet not necessarily very clear but presumably there will be impacts and presumably those impacts will need to be reflected. At least we should spell out what we expect those impacts to be both in terms of activities and possible costs so that we are clear and transparent as to what our assumptions are and as a result also are not.

The one thing that I didn't mention which pertains nonetheless to item Number 1 is Lise may remember that from a question that she and Jonathan had provided to me somewhere in April or May, we had done a quick and dirty exercise of what would be the costs associated with creating a legal entity. And it was purely creating a legal entity. It was not trying to determine any kind of assumptions on the operations of the IANA functions but what would be the costs associated with the legal entity. Those would be also - or this analysis done band would be one that I would use to also integrate into the plan and adjust as required by it's integrate into the plan.

And those were spelling out costs like if you have a legal entity you're probably going to have to have a financial audit; you're probably going to have to have a tax form. This type of governance related requirements that pertain to the existence of the legal entity rather than what's in it or not.

Let me stop there and see what questions the team has more input.

Chuck Gomes: Thank you. And please raise your hand if you have a question. I will start it off with a question. With regard -- you mentioned on Number 2 you mentioned the possibility of lending resources. And so a question I have, and I don't know if it can be answered now but if resources were only loaned from ICANN to PTI it seems to me the question becomes a little more fuzzy in terms of who manages those resources whether it's PTI and the PTI board and PTI management or whether it's ICANN management. So that's the first I had heard the idea of a loaning resources type thing. Has that been discussed very much? You understand where I'm coming from on that?

Xavier Chavez: Sorry Chuck, can you repeat the question at the end of your comment?

Chuck Gomes: Yeah, well is lending resources really an option? I'll rephrase it. So if resources, in particular people resources, what we now know as the IANA team, if they were just loaned to PTI rather than transferred in some formal sense, it seems to me that it would -- that the chain of command, the chain of authority would be a little bit fuzzy and I'm not sure that's desirable. What's your reaction to that? Do you think loaning of resources is a realistic way to go in this particular case if it indeed is a separate legal entity?

Xavier Chavez: So I can speak theoretically to that. The point that I would make before trying to answer that question or instead of answering directly the question is that whether we do one or the other model the loaning or the transfer of the resources, it to me doesn't change anything from a planning standpoint meaning that we would still -- the costs of loaning the full resources fully loaded costs or having those resources within the PTI at their fully loaded cost is the same from a modeling standpoint. Therefore it's not a driving assumption from a planning standpoint.

Chuck Gomes: Okay thank you.

Xavier Chavez: Right, now from an implementation...

((Crosstalk))

Xavier Chavez: ...standpoint everything that you mentioned is completely relevant and should be evaluated and defined. But then we're getting into a level of granularity, technicality and contractual and legal implications that exponentially multiply the number of parameters which are not necessarily required from a planning standpoint. That's part of the purpose of the next slide that we - not the next - the second next slide that we have is to show the distinction between the

what's required from a planning standpoint versus required from an implementation standpoint.

Chuck Gomes: Thank you. Olivier, you're on.

Olivier Crépin-LeBlond: Thank you very much, Chuck. Olivier Crépin-LeBlond speaking.
Can you hear me?

Chuck Gomes: Yes.

Olivier Crépin-LeBlond: Okay thanks. The question I had was with regards to the creation of the new legal entity receiving the IANA operations on what basis would these costs be drawn? Would they be drawn on the basis of still being able to benefit from economies of scale in other words using the same vendors as the ones that ICANN are currently using or would these be on purpose separated to the extent that they are it would say well we are not going to use the same vendors by which then one would have to pay a higher market rate when you establish those costs? Is there any thought on that? Thank you.

Xavier Chavez: So we will talk a bit more about that, Olivier, in a more generic fashion on the next two slides so I would suggest we address that topic there knowing that your question is very specific as to pricing of services that we have today that we would have tomorrow for different scope of entities. This is becoming in my view, a lot more granular than we needed to have this conversation as of yet.

But however we will talk about integration versus separation and what you took as an example is a consequential event of losing possibly economies of scale as the result of these integrating functions that are currently integrated. But we will talk more about that on the next slide.

Chuck Gomes: Thank you, both of you. This is Chuck again. Lise, it's your turn.

Lise Fuhr: Thank you, Chuck. And thank you, Xavier and Trang for some very helpful slides. I have a question regarding the bylaws writing on Issue 4 because this is referring to new accountability mechanisms so I guess these bylaws are the actual bylaws that we are doing for the accountability group. But I just like to point out that we need to have bylaws for the actual PTI done also. And what I also seemed to miss in this slide deck is referring to reference to the PTI board somehow. I don't know if that's going to create any cost but I think we need to think about that PTI board in just relation too. Thank you.

Chuck Gomes: Thanks, Lise. Any comments on that, Xavier?

Xavier Chavez: Yeah, yeah, thank you, Chuck and Lise. I completely agree, Lise. I could have or should have listed by law writing or rewriting or amendments as part of the generally speaking ICG proposal which also includes the CWG, which also includes the PTI and its board and the reviews and so on which is I suspect some of it or a large extent of it will find a reflection somehow into the bylaws as well. So I completely agree, the rewriting of the bylaws is not a CCWG, accountability mechanisms specific activity, you're right, and I should probably clarify that in those flights going forward.

Chuck Gomes: Thanks. Alan, your turn.

Alan Greenberg: Thank you very much. Regarding the of the last question I assume number one, creation of PTI, included a whole host of things including articles of incorporation, bylaws, creation of the board budgeting associated with it. There's going to be also the costs and details that have to be worked out there, you know, including whether we use the same auditors, whether we use the

same lawyers. And, you know, there's a thousand questions that come up with forming a new corporation.

My comment that I put my hand up for was on Xavier's use of the word "loan staff." I found that a rather curious word and presuming what you meant was staff would be provided to PTI on a contract basis by ICANN. Am I correct or is there some other subtle difference?

Xavier Chavez: So I was trying to use a term that's more illustrative than technical, Alan. And I think your description is a more valid technical one go when you say under contract the question is is the contract between every single employee in the PTI or is the contract remaining between ICANN and the employee? And then there's a separate contract between ICANN and the PTI that defines which resources at what costs are being allocated instead of loans to the PTI. So this is becoming a technical implementation question. But you're correct from the standpoint I was simply trying to use a word that was less technical and more illustrative.

Alan Greenberg: Yeah, thank you. It may be less technical but it also has implications of when I lend something I expect it back next week and that's not necessarily what you're talking about here. I assume we have three options, PTI can actually hire employees and then they have all sorts of issues related to payroll taxes and all sorts of garbage; they can acquire the employees under contract which makes it slightly easier but they're still effectively employees although perhaps not in a legal sense; and the last is they acquired the services from ICANN under a global contract and the people remain either contractors to ICANN or employees of ICANN.

And I assume that's the latter is what you meant by loan. And I would suggest not using the word loan, it has other implications which although simpler me add to the confusion. Thank you.

Chuck Gomes: Thanks, Alan. And thanks, Xavier. And before Xavier goes to the next slide let me reinforce something he said. Obviously Design Team O's task is to facilitate the development of a budget for the IANA transition into the fiscal year '17 operating plan and budget. And like Xavier pointed out in a couple times in his comments is we don't have to get too granular on this as long as we cover the assumptions any detailed enough level that the budget can be developed.

And so we could probably all come up with other things that aren't on this slide but as long as we get the key assumptions so that come January 15 the finance team and really all of ICANN staff that are working on the budget have a clear understanding of the assumptions that will meet the CWG recommendations for the transition so that they can develop a budget and make that part of the budget that will be reviewed starting on March 5.

So Xavier, let me turn it back to you and we can I think go to the next slide.

Xavier Chavez: I agree. Thank you, Chuck. You said what I was going to say so thank you very much. Next slide please. Thank you. So in the mindset of focusing on the FY'17 planning and all of you are active participants into that process on an ongoing basis so you know very well what I'm referring to when I say planning, it is the operating plan, whether five-year or annual, and the budget which are gathered into documents that we submit for public comment every year. And the target date for this year is March 5.

So with that deliverable in mind our suggested approach, which we started discussing last time, is simply laid out here in a very schematic fashion. We are suggesting to use a base case which is the scenario which will be developed with the adequate amount of information, necessary amount of information and sufficient amount of information to pull together the plan that is the operating plan and therefore the objectives, goal, portfolios and projects that support the description of the plan as well as the costing of those projects that provide the amount of resources and their dollar valuation.

We will have therefore a base case that spells that out. That base case where suggesting that it is reflecting the current mode under which the IANA operations are carried out today. And this is not incompatible with the PTI. So we have the PTI created, we look at the current away the operations are carried out with a dedicated department, the IANA department led by Elise Gerich today, with resources in other departments that also support directly the IANA operation, with also support functions that support the operations of the entire organization including IANA.

We would look at and evaluate the activities and the corresponding costs of those activities as they are carried out today and gather together those activities and costs under the label of PTI budget and therefore filling in from a planning standpoint the PTI picture with an operating plan and budget corresponding to just the PTI.

It would include as well the additional processes that are related to the PTI. It would also include those costs that I mentioned earlier that are driven by the existence of the legal entity that do not exist today. And that would let us have a picture of the PTI/IANA functions operating plan and costs. It would look like what I had produced for the purpose of this group somewhere in March last year from a cost standpoint but there would also be a list of project level

information that makes up the operating plan in a more specific fashion which would look very much like what you have seen for the rest of the ICANN operations but focused on IANA.

So projects within portfolios, within objectives, within goals specific to IANA. That would be the base case in the plan. And we would also, in the plan, add for analysis and understanding and therefore its sensitivity analysis at an alternative scenario that would say what if - what if the functions that are currently integrated under the base case what if those functions would be more separated than they are today and what would be the cost implication of that? And that would be what would appear in the alternative scenario.

There would be likely a lower amount of details but an equivalent amount of description of assumptions and to try to describe at least at a high-level the potential impact on costs and operations of that further separation. That's the plan that we are suggesting to go by from again a planning perspective in the document that will be submitted for public comments by March 5.

Any questions on that or thoughts?

Chuck Gomes: So again, raise your hand if you have a question. I'll start it off again since I don't see any hands yet. So - and this is really directed at our team, although anybody on the call is welcome to jump in. So a basic question that ultimately the CWG is going to have to answer but I think it's helpful if we as a smaller group can grapple with it first is this, does the base case satisfy the recommendations of the CWG that have been approved by the supporting -- by the chartering organizations?

If not, what elements of the base case would have to be modified? And you may have questions before you can even respond to that question. That's a

question we need to talk about today. Now we don't have to do it right now, in fact it's probably better to go through the rest of the presentation before doing that. But I want to set the expectation that that's a question we need to grapple with first as a design team and then ultimately the decision really has to be made by the full CWG so that when we come January 15 of next year that there's a strong if not full consensus on what the assumptions are for building the budget. So keep that in mind as we go forward.

And the last part of what I said really relates to the alternative, are there certain elements of separation that need to be stronger than what is in the base case? And then one last thought that we can talk about later is would it make sense to start out with a base case and at some point move to another, a little bit beyond the base case as the years go on? I'm not suggesting any approach on any of those but I want everybody to be thinking in that direction. Any questions on this slide?

Okay, Xavier, you may continue.

Xavier Chavez: Thank you, next slide please. This slide is intending to help all of us make further the clear distinction between what planning requires and what implementation requires. And as we had laid out before, during a number of meetings in Dublin as well as during the last call that we had on the 4th, the planning is an activity that will need to be completed on or around the 15th of January so that we have the ability to produce the document for public comment on March - by March 5.

The implementation is something that can only start once a member of reviews and approvals have been completed and formally provided which right now for the moment we're assuming is somewhere around early May and therefore the implementation activities that we're providing a glimpse of

there's a lot more detail that goes into implementation but these implementation activities that we're providing a short overview of on the column on the right, we are expecting would only start towards the end of April or early May.

So the question for example, that Chuck was just spelling out is not a question that actually requires to be answered for planning purposes, as of yet, simply because the advantage of the approach that we laid out in the previous slide is that whether full - or let me rephrase, whether current integration or whether more separation we will have encompassed those two approaches and anything in between by planning for that base and alternative scenario into the plan.

So from a planning standpoint we will have covered the possible variations of what the implementation will ultimately lead to. And I think that's all we can want to achieve at the time of planning. So going through a little bit more specifically into this slide, so the separate legal entity, first line, why does it require from a planning standpoint?

In a summarized fashion I'm saying nothing is required that we don't already know simply because we are going to say yes there is a legal entity and yes, there are costs associated with that legal entity and we already have at least a draft of that information. So nothing is further required from a planning standpoint there.

Now when you start implementing that new legal entity of course the process of creation is a very detailed activity, you need to write bylaws comment you need to define the composition of the board, you need to define the governance with officers. And I'm not even trying to go further. There is a lot more in the three bullet points at the end of that box then even there is in the

box but this is a much more comprehensive activity that requires a lot more detail, again not required at the time of planning.

And by the way, part of the question that we will need to answer which is something I haven't mentioned yet and which I should, and I will stop there to do that, is the timing of the activities that we've laid out in the first and second slide, or presumed to happen in the second slide, the timing of those activities is something that we will need to spell out an assumption for as well. And I should have mentioned that earlier.

How long does it take to create the legal entity and therefore when is it going to be effective? How long does it take to implement that CSC, for example, the process of the CSC? When would the CSC start its operation? When would we do the first of the IFR? Those questions are assumptions in the plan that we need to spell out and that will affect what the plan says, what the plan looks like and presumably what the costs would be as a result as well.

So those are parameters that also need to be defined as part of the assumption and I will try to make that more explicit in the next version of those slides because I think that would be useful.

Going further on that, the direct resources which we have laid out as being the current IANA department, those are the resources that directly and exclusively carry out the IANA operations today. Those are very well identified and have been consistently in the past and today and would continue to be in the plan for FY'17 and would be obviously a large contributor to the overall IANA budget in the FY'17 plan. We already have that information or the processes to produce that information.

The shared resources next are those departments that do contribute to the ongoing IANA operations but are not dedicated resources to those IANA operations; these are the rest of the ICANN operations as well. So those are currently identified in the analysis that we have already done and shared publicly on the IANA budget. We will need to continue evaluating those activities and also documenting them through our management system process with identified projects that capture, describe and allow for costing those activities that are carried out by other departments than the IANA department but contribute to the IANA operations. Those are the shared resources.

And of course the overhead allocation or the support functions allocation, whichever vocabulary we use, is something that we would also need to estimate, display the assumptions that have been used to evaluate those support functions allocation and indicate which functions are included in those. Lise may remember the exercise that we did together in support of the ccTLD contribution model years ago.

And maybe we can use a similar approach of a percentage of overhead applied to the direct costs that would encompass the costs of functions like HR, like finance, like coms, or IT for the nonspecific part and so one in a fashion that would let us have a fairly straightforward concept, a clear calculation and a simple cost associated to those support functions.

Assets used for the IANA operations, this is also something from a planning standpoint we can leave at a fairly high level, what are those assets, what activities do they support and how do we reflect the cost of using those assets in the plan? When we talk about assets in implementation this is a much more complicated topic which requires a fully detailed inventory of assets.

If we decide that these assets need to be transferred into the legal entity that inventory needs to be done at the most detailed level. I would merely say for the sake of clarity on an invoice by invoice basis, on an asset by asset basis there needs to be an evaluation of those assets by an independent evaluator to be able to determine the fair value of those assets irrespective of the price at which those assets are transferred by ICANN to the PTI even if it's for free, there's an evaluation that needs to be done, that needs to be vetted and auditable.

This is an extremely comprehensive exercise that does take time and money to do and is required from an accounting standpoint and a statutory standpoint. There would be more work relative to those assets as well, how do we segregate them and so on and so on. There would be an asset purchase agreement that needs to be written and so on. So these are implementation type of activities, not planning type of activities.

Let me stop there. I think you guys get the point. The minimum amount of information required for implementation that you see on this slide is probably 10% of what's required effectively. I was not trying to be comprehensive but simply give an understanding of the distinction between the two. And I'll stop there to see if there's any questions.

Chuck Gomes: Any questions? Okay. Well let's go on to the next slide.

Xavier Chavez: As a result of our conversation on November 4, which one of the topics was it would be useful to display into the plan what do we mean by current level of integration versus separation so that it is not just a statement but it is a concept that is described more specifically into the FY '17 plan submitted to public comment. So that the base case of current level of integration and separation is understood under the current model if we retain that base case as is.

So this slide, Number 5, and apologize for the formatting of the title that's not appearing the way it was designed to be, this slide is simply using the documents that you have seen in the past for the IANA budget costs in the descriptions that we had associated with those costs there. I simply took, again, those descriptions to describe at a high level what are the activities that are specific and carried out by the direct resources. So these three lines that you see on this slide map and match the three categories of costs that we had talked about before.

So activities and costs we have the direct activities and resources and costs, we have the shared - sorry, the shared resources who carry out direct activities, and we have the allocated activities and costs reflecting the support functions activities. So this is what this slide is trying to provide a view of what is integrated, this is the upper part, the - sorry, what is separated - this is the upper part. This is basically all the activities operationally that the department - the IANA department within the ICANN led by Elise Gerich, the 11 or 12 people carry out day in day out. That's what they do every day to carry out the IANA operations.

The activities in the second row are those that are contributed and performed by other departments than the IANA department as part of their activities across the ICANN organization, this is IT, this is security, this is legal, this is Web admin, mainly, and those departments contribute directly to the ongoing daily activities of the IANA operations but only on an ad hoc basis when those activities are carried out. And they also support the rest of the ICANN organizations.

And the third bucket is the support functions, HR, finance, procurement, simply because for HR, for example, HR supports all the employees of

ICANN of course including the IANA department employees in an equivalent fashion to the rest of the employees and therefore there's a fraction of the activity of the HR department and therefore a fraction of their cost that pertains to supporting IANA.

I'm not necessarily suggesting this is the final view of what that description of what is separated versus integrated is but at least I wanted to offer that beginning of a description to your consideration so that you provide input as to whether this is adequate, sufficient, not sufficient into the FY'17 plan.

As a reminder, as I said a little bit earlier on the preview slide, we are working on ensuring that we develop the list of projects across each of those three buckets that would further describe and materialize the operating plan relative to those departments, those activities in pertaining to the IANA functions into the operating plan so that we can have, you know, the list of 300 plus projects and we can say, these 15 projects materialize the operating plan relative to the IANA function for the PTI and those are gathered together represent the budget of IANA.

So let me stop there see if there's any comments on that question. Thank you.

Chuck Gomes: Thanks, Xavier. Chuck again. In the second row there you refer to an appendix, that's an appendix to what?

Xavier Chavez: Oh sorry, that was the appendix that was provided - I should have removed that comment or provided the appendix in an appendix to this presentation. It's the - if you remember when I offered the template - and I can recirculate it for everyone, the template of IANA budget costs when we had used the FY'15 budget for that purpose. There are three pages. There was a document that

looks very much like the slide here but that had also numbers in front of each row.

There was a - actually there were two documents. That document and then there was a list - a more detailed description of the list of the activities that are summarized on the row Number 2 here. And that appendix was complementing the description of those shared resources activities. I can recirculate the whole thing, that appendix will be then apparent.

Chuck Gomes: Thanks. Chuck again. And I assumed that's what you were referring to. I would just suggest that if we use this slide in the presentation to the full working group at some point that we just indicate that it's an appendix to the descriptions of the direct activities and maybe just provide a link to it or something. But anyway that's not a big issue that we need to spend time on now. So...

Xavier Chavez: Understood.

Chuck Gomes: So that's good. Anybody else have a question on this slide? And I think we're - this is the last slide so we can - now that you've seen the whole presentation feel free to ask questions or make comments, observations, about anything that has been talked about in this presentation. Is there anything that anyone doesn't understand in what's been presented here? Okay, sounds like - Chuck still speaking. It sounds like there is reasonable understanding of this. So could we go back to Slide Number 3, yes, thank you.

So let's have a little discussion here in terms of the base case. The base case is obviously as you can see with the little green arrow in the middle, is no change. Basically the IANA team is still physically based like they are today. And there's no really operational changes. Obviously there's some bylaws for

PTI and stuff like that but in terms of a functional point of view it's really no or minimal change at all.

So do you think that that CWG recommendations that are on the table can be met using the base case and if not, where would we need to go beyond the base case? Olivier, you're first.

Olivier Crépin-LeBlond: Thanks very much, Chuck. Olivier Crépin-LeBlond speaking. And ever since you asked that question earlier in this call, and I thank you for asking this because I've been looking at that prism, I've been looking at the presentation through that prism and thinking well, you know, is that going to be satisfactory.

As far as the base case is concerned I would certainly say, I mean, I think it is because we are looking at the no change between now and the future. What I cannot quite reconcile though is if there is indeed a change that will take place or if there is a separation that takes place with added costs, because we're not looking at the same added costs in that now situation and the PTI situation -- well, we're seeing the same thing as now in PTI admittedly, and I'm just looking at the ballpark figures, but if there is indeed a separation a full separation at that point, I would say there are also separation costs that would go in there.

And I'm not quite sure whether the PTI costs would be the same or whether it's still within ICANN or outside of ICANN. As I mentioned earlier with regards to the economies of scale, is PTI still within ICANN and in friendly terms with ICANN has one base such that would be able to benefit from economies of scale? Would a PTI that separated from ICANN and that's not in good terms with ICANN be benefiting from the same? I don't think so but I'm

not quite sure how to be able to calculate that and to put that in a budget.

Thank you.

Chuck Gomes: Thanks Olivier. And before I go to Lise - Chuck again -- so you bring up a good point that if we use - we meaning, you know, the whole community - we go with the base case for the transition itself at some point in time if there was ever a separation the separation costs would have to be factored in. Now I suspect that's not something that could even come about in the first few years but at some point those separation costs would have to be factored into the plan, not in fiscal year '17 I don't think.

And those separation costs would vary depending on whether -- in the extreme base case that we see here there would be a lot of separation costs whereas if we did some alternatives, as shown at the bottom of the slide, maybe there wouldn't need to be as much planned for in terms of separation.

Anyway so good points, Olivier, thank you. Lise, please.

Lise Fuhr: Thank you Chuck. I seem to recall and I'm not sure who said it but we had a discussion and that was both with the first proposal that we made, the first draft, where we did the Contract Co and also at a later stage that there was someone arguing that the PTI would benefit from having their own legal counsel. So this might be an issue for the CWG that we have raised before. And I'm not sure where we ended with this but it's just a flag that I recall that there was discussion of legal counsel. Thank you.

Chuck Gomes: Thanks, Lise. And those are the kinds of things that come under alternatives to the base case that hopefully we can begin to get a feel for how much consensus there is by January 15. But as Xavier pointed out they are planning

to show some alternatives and what the estimated costs would be if we went with one of those alternatives.

Xavier, a question for you, it seems to me that the extent to which the CWG can reach consensus on the assumptions by January 15 that means we might not need as many alternatives scenarios in the budget which then makes the, you know, the approval of the budget after the comment period a little bit easier. Is that a correct assumption on my part?

For example, if we decided, and I'll just use a very simple example, if the CWG had full consensus that the physical location of the PTI - of PTI personnel doesn't need to change then we wouldn't need to have an alternative in the draft budget that's produced that would show a physical change of the PTI staff. Am I thinking correctly on that?

Xavier Chavez: Who are you directing that question to, Chuck?

Chuck Gomes: To you, Xavier.

Xavier Chavez: Okay so I think that you are correct if you would assume that the CWG's position is an official vetted approved final position. At the time we plan and at the time we put the document for public comment I don't believe that we will be at the phase of the process where the proposals will have been fully validated. So I can imagine the public comment not necessarily the CWG but the public being able to or evaluating the fact that we show what are the alternatives to a presumed base case that may make sense.

And I think the example that you've taken simply shows that there is further clarification by the body that issued the proposal as to what they think the proposal means from a future implementation standpoint. I don't necessarily

think that it necessarily removes the value of providing the public with an adequate understanding of what the assumptions mean and also what they don't mean. And I think the alternative scenario provides value in letting the public understand what if we don't do this.

I think it is useful for the public to understand yes, if we separate further that means that type of implication, not necessarily at the very detailed level of granularity but I think it's useful to understand well we need to break the system, we need to re-implement this, we need to re-implement that, we need to move, we need to do this or that. I think this is a helpful understanding that would inform better the public and the community on the implications of the proposals that are visible at the time we plan even if we retain a base case that would not necessarily as soon those alternatives impacts.

Chuck Gomes: Okay and I agree with you, I mean, I think the public would benefit from showing alternatives. Let me ask another question then following onto that. Is it helpful between now and January 15 if the CWG made some recommendations on some of these alternatives assuming the CWG could reach strong consensus on certain alternatives?

Xavier Chavez: I don't think it's necessary but certainly maybe through this group, through the DT-O team if there's more thinking that can be formulated and shared with Trang and I so that we better take it into account as part of the planning and that increases the quality of the information that we produce I don't see why that would not happen. Having a formal position I don't think is necessarily required. If you think about it that gets quickly into implementation work rather than definition of - further definition of the proposal that you see what I'm saying.

Chuck Gomes: Well, Chuck again. And I don't think it necessarily gets into implementation if we restrict ourselves to assumptions and not getting into the details. But we don't need to debate that, that's okay. I'm really glad Lise raised her hand because I was going to call on her next whether she raised her hand or not just to see what her thoughts are as a co-chair with regard to, you know, between now and January 15 what the CWG might focus on in this regard. Lise please.

Lise Fuhr: Thank you. I will answer that first and then I'll get back to my - why I raised my hand. Well, we are going to focus on the budget issues and the implementation as such. And I find that this - that what we are doing right now with Xavier and Trang is actually part of the implementation. And if we want to focus more on as you say the alternatives and what we need to do if we want a further separation of a specific function, I think that would make sense to have a look at that from now on until 15 December.

But we have a lot of issues that we also need to deal with where one of them is the actual accountability proposal. But I guess without having consulting with Jonathan on this, we are continuing to focus on the implementation and the budget issues. It's not a very clear answer but I don't have clear answers.

Chuck Gomes: No that's okay, that's good. Go ahead and talk about what you raised your hand for.

Lise Fuhr: Okay. What I raised my hand for is primarily it's more an issue of the slide where looking at, the Slide 3 because that's what actually bothered me a little bit that we have the ICANN now and PTI future where it says no change. And for me it's not that there is no change, there are a few changes and I understand it. But it might mislead someone to think that we're not doing any changes and just adding the FIR and the CSC is a change. So for me it's a

detail but I think it could disturb someone at our CWG call tomorrow. Thank you.

Chuck Gomes: Thanks, Lise. And that's a good point. It might be good to say minimum change and that could probably be abbreviated min, but point well taken. Thanks. Alan.

Alan Greenberg: Yeah, I would have said minimal operational changes. There's a whole slew of changes but operationally other than the CSC getting involved in watching things there are really no operational changes. If the CSC is happy with what it sees there are virtually no operational changes but there certainly are lots of changes. Thank you.

Chuck Gomes: Thanks, Alan. And I think that -- go ahead, Xavier, your turn.

Xavier Chavez: Alan I think was definitely going in the same direction I was going to go and Trang and I were discussing. I will refine the slide to actually be more specific and precise about the fact that it's the operational part of the current functions that would not change under our base case scenario. But then there would be changes simply by the creation of the PTI, by the creation of the IFR, by the CSC and so one.

So I would try to clarify the point that Lise was making which is that there are changes in the future that pertain to implementing the PTI and implementing the additional processes. And there - at least we can make that more clear in the slide than I have it today. So I will amend that in order to try to show that better because I completely agree with the comment that Lise made.

Chuck Gomes: Thank you. Alan, you're up again.

Alan Greenberg: Thank you. You probably - to Xavier - you probably also want to allude to the fact that the NTIA no longer authorizing is implicitly a change. But from an operational point of view of what the people in the IANA group are doing there is very little change. Thank you.

Xavier Chavez: Good point. Thank you.

Chuck Gomes: Anyone else want to jump in on this discussion? And again respond to the question I asked, does the base case meet the recommendations of the CWG. Anybody think it doesn't? So there seems to be at least among the people on this call somewhat of a comfort level in terms of the base case might work and we will probably thank Cheryl for the checkmark. So, I mean, it's kind of the good sense to have that it's a good place to start. And then as Lise said, we can take a look at specific elements of the base case to see like for example do they need their own separate legal support.

And it's not just a yes or no answer, it could be that at the beginning to facilitate the transition happening in a timely manner that the base case is the place to start and that some alternatives would be implemented over time to in fact been facilitate a separation if that ever was needed. Again, I'm not recommending that I'm just trying to get some thought and discussion going here.

Xavier Chavez: And Chuck, this is Xavier. Just to bounce off on what you said, that's a very relevant question also obviously from an implementation standpoint, a roadmap of potential separation. But I think again, as we are talking about planning as long as we spell out what assumptions we're making in the plan by January I think that's, from a planning standpoint that's all that's required.

Chuck Gomes: Thanks, Xavier, that's great. One of my assumptions is -- and it's a personal assumption -- is that the more variables we have going into the operating plan and budget, the draft operating plan and budget that will be posted for public comment on March 5, the greater the chances that the transition may not be able to happen in as timely a manner.

Now I don't know if others agree with that or not but that, it seems to me to the extent that we can minimize variables at that point the chances of meeting the timeline as projected now increases. But I just heard about the thought. I do like the approach of showing various alternatives to the base case.

And to the extent though that the CWG can identify between now and January 15 any alternatives - excuse me, any elements of the base case that they don't think would be sufficient if we can identify those before January 15 I think it would be better. So that then would minimize the variables going into that comment period.

Lise.

Lise Fuhr: Thank you, Chuck. I agree, a few of the variables they easier. But I think Slide 5 - 4 and 5 are very helpful because they're actually showing the shared costs so it gives you an idea of what's included in shared resources, allocated overhead and etcetera. So for me those are great to have in order to give the group the overview and actually show what's included and what's not and in order to find out is this, as you say, does this meet the proposal and the requirements we had in the proposal.

Chuck Gomes: Thanks, Lise. So let's talk about, and we're going to need your help on this, Lise, especially that everyone is welcome to participate in this, in fact I would encourage everyone to participate in this discussion. What should we present

to the full CWG in the call tomorrow? Now this topic is on the agenda. I don't think too much time is allocated for it though time may be a determinant in terms of what is presented. I personally think this particular slide is a good one to present to service the issue of a base case and like that.

I'm guessing, Lise, that we may not have time tomorrow to go through this whole presentation, am I correct on that?

Grace Abuhamad: Chuck, this is Grace. I think Lise got disconnected.

Chuck Gomes: Okay so hopefully she'll be able to get back in.

Grace Abuhamad: Right.

Chuck Gomes: You're familiar with the agenda tomorrow, Grace you're welcome to share your opinion. It's probably something that Jonathan and Lise will have to decide. I think all the information in this presentation is helpful for the full CWG to see at some point in time. Whether we have time tomorrow to do it or whether we want to throw that much at them tomorrow is another question. So what's your thinking in terms of the agenda, Grace?

Grace Abuhamad: So Lise is back on so I will defer to her.

Chuck Gomes: Oh okay, Lise, you may not have heard my question or my assumption first. My assumption is that we probably don't have time in the CWG call tomorrow to go through this whole presentation, is that a correct assumption?

Lise Fuhr: Yes and no. I actually think he would be a great idea to send this out to the list before we have the call and then to have Xavier presented a little faster than today, maybe 5, 10 minutes on reviewing the presentation. Because I think

they are very helpful so it would be great to have them. And actually we have two hours on the call tomorrow, not that we need to use the full two hours. But the first hour is, well, the bylaws are going to be presented in the second hour because Sidley can't make it before the second hour of the call.

Chuck Gomes: So, Xavier, first a question to you. Are you available to make this presentation tomorrow during the CWG call?

Xavier Chavez: Someone decided that I should be invited to the meeting and I arranged my schedule to be able to.

Chuck Gomes: Excellent. You can thank that someone for us. So good.

Xavier Chavez: Thank you, Chuck.

Chuck Gomes: Yeah, Lise, I really think, and if I'm wrong people challenge me on this, but I really think it would be very difficult in asking an awful lot of Xavier to ask him to do this in 10 minutes. I think there is...

Lise Fuhr: Okay.

Chuck Gomes: But I agree with you we need to make it more concise in the meeting tomorrow and in fact if it meant deferring questions to a subsequent meeting that would be okay. But I can't imagine this being presented in 10 minutes or even close to 10 minutes and being adequate. Lise, go ahead.

Lise Fuhr: Sorry, sorry for being pushing on time. But, no, actually well as I said the first hour is dedicated to the implementation where detail is part of it and we have an update from staff. It's not necessary that we use the whole hour for that but

what I was trying to say that Sidley can't make it until the hour after. Do we have in hour to discuss this and maybe be accountability work.

So and this is quite important that we get going on this so we can allocate time for it if Xavier needs more than 10 minutes. So I think it's important that we go through this because it gives a very nice overview of the thinking of how it can be done which is important for the group. Thank you.

Chuck Gomes: Thanks, Lise, that's helpful I think. And so that's very good. Now I have a logistical problem tomorrow but I don't think it's looking like it's going to be that big of a problem or maybe no problem at all. I will be flying, and I have a continuing flight but I'm on the ground for about, if my flight is on time, I'm on the ground and should be able to call in about 50 minutes into the call and in my continuing flight takes off an hour after that so probably be shut down before then.

But I'm not seeing that I need to take any particular role tomorrow if Xavier does the presentation. And I of course would welcome and encourage I guess is the word I want, encourage the rest of you from Design Team O to be willing to speak up and contribute to the discussion on this. But, Lise, having you on this call I think makes it less important for me to be there. Again, I will try to be on the call as much as I can whether the timing is right we will see. But are you comfortable with that approach? And you can actually cover some of that and people on the Design Team O can jump in as well on that. Are you okay with that Lise?

Lise Fuhr: Yes Chuck, I'm perfectly fine with that if you're not present at the call. But what I think is specifically helpful on this call was that you asked us the questions in the beginning on how to think about the slides so that was actually a very good introduction before Xavier made his presentation. And it

would be great to actually repeat that tomorrow to have the group's mindset before the presentation. Thank you.

Chuck Gomes: Well I will try to be on there at a time when I can do that. And this is Chuck speaking again. And if I can I will do that. If I can't, feel free to plagiarize my words however you'd like, and others can help okay? So I think - let me look at the things we covered - I think we've - now Lise, it's going to be up to you I think how much discussion you want to have on this tomorrow. We're obviously going to have to discuss this and these topics in our next few meetings. But I think I'll just leave it to you, you and Jonathan to decide how much discussion you want to have to borrow depending on available time.

I think it would be nice if we can get some preliminary reactions from people. But, you know, the clock will determine that I think and I'm perfectly comfortable with you and Jonathan deciding that.

Go ahead, Lise.

Lise Fuhr: I was actually planning on asking you what you think you need as a group. And for me I think the preliminary discussions would be very important for you to have just in order to have some kind of start base to go ahead and do your further work on.

Chuck Gomes: Yes, this is Chuck. That's exactly right. If Design Team O can get a sense of where the broader group is that would help us as we continue to meet and facilitate the discussion of this and preparing for that January 15 date. That would be very helpful. Xavier, go ahead.

Xavier Chavez: I simply wanted to offer that it's not very difficult to keep the presentation of these slides at, you know, 10 to 15 minutes timeframe if desired. I think it

would be helpful certainly to have reaction. Regarding the moderation role that you were Lise would be able to play, Chuck, I certainly think that it's easier for me positioning standpoint that either Chuck or you Lise, can organize the conversation around the topic.

And I'm hoping that simply the group - a CWG group recognizes and respects the value of the work that you are doing on the side in a preliminary fashion with us to work on those issues to allow a presumption that what you have been doing has already validated a certain amount of the approach and certainly obtaining - my point being, I'm hoping we won't need to re-discuss everything that we will have discussed together with the entire CWG because otherwise it means that we are a bit wasting our time and are not being effective in the approach that we have.

So I just want to make sure that you have the opportunity to provide a context to the CWG and with the understanding first and then agreement because it's not my role to do and therefore I think it's useful that your leadership can allow for that.

Chuck Gomes: Totally agree Xavier. And we don't expect you to set that context so that's very good. And again, it's very very useful that Lise was on this call so that she can - if I can't be there she can jump in. And again, I am comfortable with any of you setting the stage if I'm not on and helping Lise out and that since you are participated in this call here so that's very good.

So I think we need -- we're just about out of our 90 minutes. I think we need another call for DT-O. So once we get a sense of the group tomorrow we're going to have to continue to decide how best to facilitate discussions in the full CWG both on list and probably in meetings. So I know that next -- a week from now is the day before a major holiday in the US but that's just the US so

we can, some of you aren't impacted by that. So any thoughts on - I mean, should we try to schedule a meeting a week from now on Wednesday or at least do a Doodle poll?

We certainly need to have a call before the next CWG call which I assume will be two weeks from tomorrow or at least that's the tentative one that is scheduled. So should we do a Doodle poll? If Brenda can do a Doodle poll for next week sometime on Wednesday and then Wednesday of the following week, anybody see any red flags about doing that? Okay, anybody know of any big conflicts?

So all right so, Brenda, if you can do that that would be great. And I see she's typing so let's see what's coming up there. Does anybody -- Xavier, go ahead please.

Xavier Chavez: Just a question or two questions I guess. Are you expecting that Trang and I should participate to that next call that you just mentioned? And if that's the case what do you expect the purpose of that call to be?

Chuck Gomes: Well it's not for me to give you your expectations but it would be really nice if you and Trang can do it or at least somebody from your team if you can't. So, Brenda, please include them in the Doodle poll and we will try and find a time that works for them too. And, Trang, sorry for not mentioning you specifically at the beginning of the call but the work the two of you and the rest of your teams are doing is really critical and very much appreciated.

Yeah, Brenda, in response, yeah, Grace is correct there. Either Wednesday, include both of them so that we see what works out best. I kind of lean - if we can do something a week from today that gives us some work time in between, you know, it gives us a few days to work if there's any follow up

work we need to do before the CWG called on the third. So if we can do it next week, and I don't know if we can or not, that's probably preferable but let's see how the Doodle poll comes out.

Anything else we need to cover today? Xavier, is that an old hand?

Xavier Chavez: Well it's an old hand but if I may, Chuck, I'm still not understanding what the purpose of next week's call would be.

Chuck Gomes: The Design Team O?

Xavier Chavez: Yes.

Chuck Gomes: Well once we know - once we get a general sense of where the CWG is, which will hopefully happen tomorrow, then this - we need to decide how best to facilitate ongoing discussion in the CWG as a whole with regard to whether there are any alternatives, if so where do they think the alternatives are particularly important. So it's more a guiding. And actually, Xavier, you raise a really good question. It may not be at that point as critical for you and Trang to be there but we don't know for sure.

So if you can the purpose of this group is to kind of provide some input into the full CWG so that they can consider these issues with regard to assumptions in a timely manner between now and January 15. So it's probably not a terribly critical thing if you can't make it. If you can your expertise on this is of course welcome.

Grace.

Grace Abuhamad: Thanks Chuck. So I asked a question in the chat earlier and I just wanted to go back to it. Who is going to send the PowerPoint to the full CWG in advance of tomorrow's call? And should that include a cover note of sorts?

Chuck Gomes: If the Xavier can provide me his edits I'm happy to send it with a cover note.

Xavier Chavez: No problem.

Chuck Gomes: Okay, is that all right?

Grace Abuhamad: Sounds good, thank you.

Chuck Gomes: I don't care if somebody else sends it but Lise.

Lise Fuhr: Thank you. I think it will be very helpful if you send it out, Chuck. And actually you could make a cover note that states the way to think about besides...

Chuck Gomes: Okay.

Lise Fuhr: ...even in the know because that would give us a head on thought on the call so people are more prepared what is it we want from them. So it would be great if you could add that to the note.

Chuck Gomes: Will do.

Lise Fuhr: Thank you.

Chuck Gomes: Okay so, Xavier, if you can send me a revised slide deck with any adjustments you want to make all get that out shortly after I received it.

Xavier Chavez: Sure, no problem.

Chuck Gomes: Okay.

Xavier Chavez: And to just follow on on the meeting or not, I don't know what the conversation tomorrow with the CWG will lead to but presumably there will be potential actions for us - for this DT-O group and for staff to carry out, I don't know. But does it make sense to try to summarize by email what we think these actions are? And I would suspect that if we can do that presumably that if we could, that may remove the need for a meeting next week. I'm not trying to drive your work but I also think that's all of you, including us, are very tied up if the meeting is not necessary then let's not have it.

Chuck Gomes: Agreed. Okay well I think that's all we have for today. Thanks everyone. Please watch for the Doodle poll and respond as quickly as possible so we can find the best time to meet. And have a good rest of the day and we will talk again.

Cheryl Langdon-Orr: Thanks, Chuck. Bye.

Chuck Gomes: Bye.

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