

4.2.10 Application Fees

- 4.2.10.1 Explanation of Subject

The New gTLD Program was designed to be revenue neutral, which is in support of Implementation Guideline B:

Application fees will be designed to ensure that adequate resources exist to cover the total cost to administer the new gTLD process.

Application fees may differ for applicants.

In section 1.5.1, the AGB captured this guidance with the following text:

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.

An application fee that is intended to be revenue neutral is also consistent with ICANN's status as a not-for-profit organization. The application fee was developed using "detailed costing methodology that includes program development costs, fixed and variable application evaluation costs, and risks or low probability event costs" as stated in the *Update to the Cost Considerations of the New gTLD Program*¹.

- 4.2.10.2 Questions and Concerns Related to Subject

The New gTLD application fee was developed with the acknowledgement that it was being designed for a new program, where it is difficult to predict costs and volumes of applications. With many elements of the 2012 New gTLD round having now been completed, data should be available to refine the costing methodology for subsequent procedures. The DG recommended that ICANN's costing model be thoroughly re-examined, even in the absence of significant changes to the program. For instance, some DG members pointed out that there is a sizeable surplus (~\$89 million USD), mostly attributable to the litigation portion of the fee that has remained largely unspent. Although there is currently no plan for utilizing excess funds, in the *Update to the Cost Considerations of the New gTLD Program* document, ICANN envisioned that the community would be integral in determining how the funds would be handled, in the event that a surplus or a shortfall was realized.

¹ Update to the Cost Considerations of the New gTLD Program available in its entirety here: <https://archive.icann.org/en/topics/new-gtlds/cost-considerations-04oct09-en.pdf>

The DG Members felt that the relatively high cost of applying led to a number of issues, many of which had already been identified in community discussions to establish the original amount. As acknowledged in the *Update to the Cost Considerations of the New gTLD Program*, there remained concerns that \$185,000 USD may act as a deterrent to applicants from developing nations, not-for-profits, and others with limited financial resources. Some members suggested that the fee contributed to the perceived lack of diversity as discussed in section 4.2.3 Competition, Consumer Trust & and Consumer Choice. There were suggestions that the high cost of the application fee could be offset by financial assistance or fee reduction programs, although care would need to be taken in designing these programs to avoid having them being taken advantage of by applicants that may not in fact have financial need. This topic will be discussed in further detail in section 4.2.14 Support for Applicants From Developing Countries.

DG members specifically identified the lack of invoices as a particular challenge for applicants to be able to navigate financial approval processes within their respective organizations.

Another topic that DG members identified was that the application fee was a continuation of the one-size-fits-all methodology ingrained into the program, resulting in all applicants essentially paying the same amount regardless of the complexity of their evaluation, notwithstanding the additional costs for optional program elements like Community Priority Evaluation (CPE), objections, etc. This topic will be discussed in greater detail in section 4.2.17 Variable Fees.

Finally, although ICANN has committed to evaluate the accuracy of its costing model for any subsequent procedures, it may also need to account for any significant changes to the program stemming from policy development, operational changes, or other channels. As examples, the creation of different application types and corresponding application tracks or the creation of an accreditation program may require consideration in evaluating the costing methodology.

- *4.2.10.3 Relevant Guidance*
 - Implementation Guideline B
 - Section 1.5.1 of the AGB
 - *Update to the Cost Considerations of the New gTLD Program* - <https://archive.icann.org/en/topics/new-gtlds/cost-considerations-04oct09-en.pdf>
- *4.2.10.4 Rationale for Policy Development*

The DG did not anticipate policy development work directly related to Application Fees. However, it may be useful to evaluate how well costing estimates compared to actual costs incurred by ICANN. The results of that review may lead a potential PDP-WG on New gTLD Subsequent Procedures to consider providing implementation guidance to be taken into account when ICANN works with the community to develop the costing methodology for subsequent procedures. And as noted above, significant changes to the program stemming from policy development, operational changes, or other channels would need to be properly accounted for in any new costing methodology.

