

On average, the wholesale prices charged by new gTLDs are at or above the wholesale prices (of price-capped) legacy gTLDs, although the differences are not statistically significant. The limited availability of transactional data complicates the analysis of price-based competition. While a cursory investigation reveals some anecdotal sub-cap price competition in the form of promotions, the norm is more likely to be pricing at or near existing caps. In fact, price-capped gTLD registries have historically raised prices as allowed by cap increases and this trend appears to have continued during the new gTLD program with increases from .biz, .info, .org and .net. Of course, this is not dispositive of the absence of price-based competition created by new entrants, as the “competitive price” might be higher than the existing caps. For example, if the natural price for a TLD, in a market without caps, was \$20 prior to the new gTLD program and \$15 with the addition of new gTLDs and players, we would not be able to observe this competitive effect because of the price cap creating an artificial price ceiling. Instead it is possible there is a market distortion, created by the legacy price caps, which act as a de facto cap on new gTLDs as well. Longer term, this artificial constraint could have an impact on competition, particularly from smaller entrants without economies of scale. While the marginal cost of issuing a new TLD is close to zero, the fixed cost of maintaining a registry, when averaged over a small number of registrations, is quite high. In addition to affecting the viability of new registries, price caps could represent a disincentive for new entrants in future rounds.

However we are unable to reach a definitive conclusion on the issue of wholesale price competition in the absence of adequate data and until more time has passed for the effect of new gTLD entry to be fully felt. It is our view that this issue should be addressed in more detail in future reviews and perhaps some experimentation with the removal of price caps on new registrations is worthwhile.