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JORDYN BUCHANAN: Welcome, everyone, to the latest and greatest Competition and Consumer Choice sub team meeting of the CCT Review. We don't have Adobe Connect today. We do have, I think, one principle document to talk about, which Jonathan tried to send out last night. I don't know anyone other than me [who forwarded it] along. I just forwarded it a few minutes ago because I saw Jonathan was having problems. We can't display it because we don't have Adobe Connect.

Carlton, are you on the Competition sub team mailing list?

CARLTON SAMUELS: No, actually I thought this was going to be with the other sub team meeting, the Safeguards.

JORDYN BUCHANAN: Oh, well, it's not.

JONATHAN ZUCK: It's in one hour, Carlton.

CARLTON SAMUELS: Oh, they sent it out as it's supposed to be at 14:00 UTC, and 14:00 UTC because of the change to [VSP] is 8:00. All right, guys, I will drop off.

JORDYN BUCHANAN: Okay, sorry about that.

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*Note: The following is the output resulting from transcribing an audio file into a word/text document. Although the transcription is largely accurate, in some cases may be incomplete or inaccurate due to inaudible passages and grammatical corrections. It is posted as an aid to the original audio file, but should not be treated as an authoritative record.*

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KAILI KAN: Oh, Carlton, you are welcome.

JORDYN BUCHANAN: Yeah, you're welcome to stay if you'd like.

CARLTON SAMUELS: That's okay. I'll drop off.

JORDYN BUCHANAN: All right, so just the three of us. Kaili, have you seen the document I forwarded along this morning? Did you get a copy of that come to your e-mail?

KAILI KAN: No. I just [inaudible].

JORDYN BUCHANAN: I'll forward it to you separately then. It wouldn't have [come] until a few minutes ago anyways.

KAILI KAN: Are you referring to that e-mail called "Substitution Analysis"?

JORDYN BUCHANAN: Exactly. That's correct.

JONATHAN ZUCK: That's the one.

KAILI KAN: Okay, let me take a look.

JORDYN BUCHANAN: Yeah, why don't we all open that document.

KAILI KAN: Okay.

JORDYN BUCHANAN: And then, Jonathan, do you want to just talk us through what you've done here?

JONATHAN ZUCK: I'm in the car, so I'm not going to be able to open the document. So I might not be going through things in order.

JORDYN BUCHANAN: Sure.

JONATHAN ZUCK: But we did a little bit of an analysis of public comments that were critical of our findings as much if not more than our recommendations.

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One of those comments came from the United States government. They in some depth dove into our competition findings, basically raising some classic antitrust concerns like about rivalry and substitution. In other words, they raised the question about whether or not the new gTLDs represented a true economic substitute for the legacy TLDs and went through a couple of the arguments that we made and made some criticisms.

For example, one of the things that we talked about was the fact that – I don't know the best way to phrase this – the concatenated versions of new second-level domains that have been purchased were available as concatenated strings in .com. The example that we use is bigshots.photography was purchased when bigshotsphotography.com was available. So that suggests substitutability. Their argument was that the generic would have created nonsensical concatenations. Like bigshotsxyz.com wouldn't be particularly interesting.

They were raising some questions about whether or not they were actual substitutes and also confirmed our concerns about pricing. That is that without pricing, it's difficult to do a full-fledged analysis of competition. Part of that, as you know, Kaili, is the analysis that at some basic level competition is measured as the ability to raise prices and that elasticity of demand. And if I raise prices, will people move to the other product? That's difficult to ascertain in an environment in which there's price caps and we don't actually know what the market price is.

So those are some of the arguments that they made. So rather than do a lot of editing of the existing text, I created a new section for the competition analysis that was about substitution behavior generally in

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an attempt to address the arguments in a way that we could easily just add a section to the paper rather than doing a bunch of tweaks to our existing text.

I talked about a number of different things. One was that substitution analysis was difficult because it represented a more semantic namespace and so there was a move away from generics toward specifics. So the actual economic substitute is not for any one TLD, but it's for the TLDs as a whole and that the legacy .com, .net, .org, etc. are seeing competition because of the specificity, whereas an individual TLD isn't necessarily competition for all of .com. I talked a little bit about that.

I talked about the idea that substitution is a difficult thing to track because the low price of a TLD and the widespread incidences of the old TLD out on the Internet never being deleted is a counterincentive to actually dropping your existing TLD. Even if you switch to bigshots.photography, you might still have your bigshotsphotography.com out there with hundreds of e-mails and blog posts and things like that. [You have] very little incentive to drop your cheap .com or .net just because you've decided to move to a new domain. So looking at it as a one-for-one substitute is difficult, at least in the short-term.

I used the example, another one I'm familiar with personally was a company called Vertigo Software that had VertigoSoftware.com. Then on their 10<sup>th</sup> anniversary splurged and I think spent \$50K or something for Vertigo.com. But they didn't [inaudible] VertigoSoftware.com for

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some time after that, several years. So that kind of substitutionality can be difficult.

The other issue about pricing, I talked about the fact that the place we really have pricing variability is in the secondary market where we don't have data.

So finally, I added a little bit of economic literature that said in such markets like this, looking at new sales is often more useful than looking backwards. The new market for competition is in going forward, not in cannibalizing existing domains, but where people with new businesses and new enterprises, where are they putting their money. And that's where we saw a 50/50 split between the new TLDs and the legacy TLDs. Part of why this took so long is I was just backing some of that up with some literature reviews on that particular topic, that looking forward is a better way to go.

I threw in a little bit about that we might want to experiment with the price cap to determine what the true market price was for TLDs as well and found a little literature on that as well.

I don't know, I don't have it in front of me, but that's my best recollection of the arguments that I tried to make. I don't know, Jordyn. If you read it more recently than me, maybe you remember something else.

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JORDYN BUCHANAN: No, I think that's a great summary, Jonathan. And I think it's a well-developed paper. It seems like something that very much channels the spirit of Stan.

JONATHAN ZUCK: That's what I was trying to do.

JORDYN BUCHANAN: I was going to say I think that one thing that might be in the spirit of the discussion of generic versus specific TLDs, because I do think that's a good point that the U.S. government made which is it skews the numbers if we say bigshotsxyz.com, someone could have registered that and they have bigshots.xyz instead. That's not a very interesting finding since the xyz is sort of a nonsense bit at the end.

So I don't know if we could do it systematically somehow, but I wonder if it's almost worth looking at the – I mean, we have per TLD data on that analysis – and I wonder if it's worth maybe just looking through the top 50 TLDs or something like that and taking a look at what the data looks like if we just look at ones that seem like they have meaningful endings.

JONATHAN ZUCK: Is that something we can ask Brian to look at? Is that the channel to do that? Do we have the data? How do we have it?

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JORDYN BUCHANAN: The data that Eleeza put together, Eleeza had the staff [inaudible] I think. So then it's just a matter of deciding which TLDs we think are generic versus – which ones would people reasonably choose as an ending to their domain as opposed to a bit of nonsense at the end.

BRIAN AITCHISON: Jordyn, can you guys hear me?

JORDYN BUCHANAN: Yeah.

BRIAN AITCHISON: Sorry. I was trying to respond, getting off mute. Yeah, that's definitely something we could look at. Could you send that to me in an e-mail, just so I have the request clear?

JORDYN BUCHANAN: Yeah, that's fine. I can [send] a follow up request on that.

BRIAN AITCHISON: Okay. Yeah, just let me know, and I'll look into it.

JORDYN BUCHANAN: Okay, [inaudible] some data again. I feel like it's awhile since we've [inaudible] data.

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BRIAN AITCHISON: Yeah, I know. Right? Yeah, we'll take that as an action item.

JORDYN BUCHANAN: Okay. So, Jonathan, I may have a few other minor edits to the doc, but that was my one big takeaway was that it might be good if we take the spirit of the USG comments, there's probably a way to follow up on that analysis.

JONATHAN ZUCK: That makes sense. I'll look for your other edits. Kaili, if you get a chance later to look at the document [inaudible].

KAILI KAN: Yeah, I just went through the paper. I think it's good. Just maybe a few spelling checks and that's about it.

JONATHAN ZUCK: Oh, I haven't done anything like that.

KAILI KAN: Well, actually, Jonathan, [inaudible] you wrote it. I think it's quite good. It's basically your theory. It would have some substitute [inaudible]. However you annotate [inaudible] that we do not observe it explicitly. So I think that's about it.

JONATHAN ZUCK: All right, you can [inaudible] send them to.

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KAILI KAN: Especially the second point that the new gTLDs are not going to replace the old legacy ones because the legacy ones are being used everywhere and they cannot just change it just like that. It's not a short-term product like Coca-Cola versus Pepsi that lasts for a few minutes. This is supposed to last a lifetime, so it's not easily substitutable. So I think that is good. Just get it out and let's get it done that way. So that's all.

JONATHAN ZUCK: Brian, if I can pile on, if you can take a look at the – I think it has only been in Jordyn's hands – just to see if I've said anything incredibly stupid that you catch, then let me know. But otherwise, I'll wait for Jordyn's comments, but we can get it out to the broader group.

BRIAN AITCHISON: Sure thing, Jonathan. I'll actually handle both of those requests today, so no problem.

JONATHAN ZUCK: Thank you very much.

BRIAN AITCHISON: Sure.

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JORDYN BUCHANAN: All right, it seems like we don't have any other comment on Jonathan's paper. So we had two other [inaudible] items on the agenda today.

[JEAN-BAPTISTE DEROULEZ]: Jordyn?

JORDYN BUCHANAN: Oh, yeah. Go ahead.

JEAN-BAPTISTE DEROULEZ: Just to [inaudible] on this item, do you want it to be discussed on the plenary call tomorrow or you wait for the data from Brian first?

JORDYN BUCHANAN: I guess the question like, Jonathan, I defer to you to a certain extent. I think it would be fine to introduce it on the plenary call tomorrow. Obviously, it still requires some further discussion and revision within the sub team so it's not a final product yet. If there's sufficient other content in the plenary meeting that we'll have a good discussion without it, then I would probably [inaudible] out. But if we have nothing to talk about so why don't we talk about Jonathan's paper, then that's fine too.

JEAN-BAPTISTE DEROULEZ: Okay.

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JORDYN BUCHANAN: I'd actually probably prefer [inaudible].

JONATHAN ZUCK: So, Jean-Baptiste, what's your sense of the plenary call tomorrow?

JEAN-BAPTISTE DEROULEZ: Hi, Jonathan. Well, I'm expecting updates on [everything] for the Competition sub team on Recommendations 5 and 9. I see that Waudo has just shared his update to Recommendation 9 via e-mail. And for the Safeguards sub team, [I have not] received an update to Recommendation C from Drew and an update from Laureen on the consolidation of recommendations nor from David on the [RPM] recommendation. So right now, we don't have much on the agenda, I'm afraid. But I expect an update on the next sub team call for the Safeguards update. So at this stage, not much.

JORDYN BUCHANAN: I'm working on some edits to Recommendation 5 right now. They weren't ready for this call, but they're mostly responsive to Laureen's comments anyway so the right place to discuss them is probably the call. So we'll have that to discuss, but honestly they're relatively....

JONATHAN ZUCK: [Edits?]

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JORDYN BUCHANAN: They're edits designed to like Laureen was basically saying this is hard to understand as a non-domains person. So there's not really a change to the substance of the recommendations or anything so I'm not expecting that to be a particularly time-consuming conversation tomorrow.

JONATHAN ZUCK: So are we saying we should discuss this paper?

JORDYN BUCHANAN: It sounds like, Jonathan, what I would suggest we put it at the end of the agenda and send it out so people can at least react to it. It may be good to get other feedback before we try to lock it down in the sub team.

JONATHAN ZUCK: Yeah, okay.

JORDYN BUCHANAN: Were we scheduled for two hours tomorrow?

JEAN-BAPTISTE DEROULEZ: Yes.

JORDYN BUCHANAN: We'll probably get to it if we have two hours so, yeah, we might as well put it on the agenda.

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JEAN-BAPTISTE DEROULEZ: Okay.

JONATHAN ZUCK: Okay, Jean-Baptiste, I'll try to get you some slides maybe of the method of – I usually try to do slides instead of documents [actually] for discussion purposes. So I'll try to put together some bullet points for discussion on the plenary.

JEAN-BAPTISTE DEROULEZ: Okay. Can I still share your paper beforehand so that [inaudible].

JONATHAN ZUCK: Yeah, please do.

JEAN-BAPTISTE DEROULEZ: Okay, thank you.

JONATHAN ZUCK: Thank you.

JORDYN BUCHANAN: Okay, great. So thanks for that. As I mentioned, I will have some edits to Recommendation 5 prior to tomorrow's call, but they're not here right now. Waudu has sent out his latest version of Recommendation 9 but does not seem to be on the call. I'm not sure if this reflects additional

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edits in response to the second round of public comments or this is the prior set, so we'll have to clarify that with Waudu. But in any case, Jean-Baptiste, we can roll this conversation until the plenary call tomorrow. Hopefully, Waudu will be able to join that call. I'll follow up with him in the meantime to make sure this reflects the most recent set of comments as well.

JEAN-BAPTISTE DEROULEZ: What he has just sent – I'm just looking now – it's exactly the same as before. There is no [inaudible] from the last time it was approved on the plenary call.

JORDYN BUCHANAN: That's right. Yeah, so that's what I was afraid of, so I'll follow up with him and ask him to take a look in light of the action items that he had previously identified.

JEAN-BAPTISTE DEROULEZ: Yeah, okay. And on the competition section, Jordyn, if you can advise on how you would like me to enter the new sections into the draft report. [inaudible]

JORDYN BUCHANAN: Yeah, we have two new sections that we need to incorporate. I think it may require a little bit of global editing to make it all fit together.

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JEAN-BAPTISTE DEROULEZ: Yeah, perfect.

JONATHAN ZUCK: Is there any [inaudible] the pricing paper?

JORDYN BUCHANAN: Pardon?

JONATHAN ZUCK: Is the other section the pricing paper?

JORDYN BUCHANAN: No, it's the parking section that we did in the....

JEAN-BAPTISTE DEROULEZ: In the new sections report. The last report that was in [public comment].

JONATHAN ZUCK: Oh, right. The other thing that I wrote and then got rewritten I think by you and others, Jordyn, was the pricing analysis, right?

JORDYN BUCHANAN: Is that new since the original draft report?

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JONATHAN ZUCK: I think so.

JORDYN BUCHANAN: All right, well, let's [offline] that.

JONATHAN ZUCK: [I could be losing] my mind. I always [leave] room for that possibility.

JORDYN BUCHANAN: We'll flag that as well and make sure if it's not already there that it gets incorporated too. All right, so I think – oh, go ahead, Jean-Baptiste.

JEAN-BAPTISTE DEROULEZ: No, no, go ahead. The only thing I wanted to ask you is when you send your request to Brian, if you can put me in the copy. Thank you.

JORDYN BUCHANAN: Yeah, sure. No problem.

All right, I think that's all we've got for this call today. We'll be discussing some of these elements again tomorrow on tomorrow's plenary call. Other than that, I think we're done and we'll look forward to the discussion tomorrow.

BRIAN AITCHISON: Jordyn, may I say just one quick thing?

JORDYN BUCHANAN: Yeah.

BRIAN AITCHISON: Just e-mail me that request as soon as you can and I'll get on it as soon as possible.

JORDYN BUCHANAN: Okay, great. I will try to do that momentarily.

BRIAN AITCHISON: Okay, thank you.

JORDYN BUCHANAN: All right, thanks, everyone. And looking forward to the discussion tomorrow.

**[END OF TRANSCRIPTION]**

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