

auDA 2012 Industry Advisory Panel
auDA Board
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Thank you for the opportunity to comment on the issues under consideration by the IAP. My comments relate to auDA's current practice of outsourcing registry services.

After considerable analysis I have formed the view that it is difficult to argue in favor of the current .au outsourcing model. In terms of regulator's independence, first, because auDA has already established its reputation, and second because outsourcing, *per se*, does not minimize the risk of regulatory capture. In terms of consumer benefits, outsourcing increases the risk of rent seeking, as often is the case for natural monopolies, and creates externalities that impose a cost to consumers and society at large.

In the domain industry rent seeking and regulatory capture may make "private sector regulators" less efficient and more costly to the economy than either direct management by the government or a private entity.

The issue of whether not a domain name is a special category of public resource that needs to be regulated remains unresolved (after over a decade international debate). For the purpose of my rumination since both the Commonwealth and auDA believe .au to be a public resource, and since auDA derives its authority to manage the resource from the Commonwealth by virtue of a Commonwealth endorsement, my observations relate to the efficiency of the management of the .au registry services by auDA.

My personal view is that a domain name is not a public resource, but simply a record in a private database, nothing compels a registrant to register a domain in .au in order to have any online presence, benefit from or access the internet. Registration is simply a matter of consumer's choice; a consumer might choose "NIKE" (.au) or Adidas (.com) as part of their branding should they desire a personalized web presence.

From governance perspective the appropriate role of government is, in my opinion, to ensure the protection of the public interest through all the normal mechanisms available to government, legislation related to privacy, law enforcement co-operation, intellectual property protections, consumer protections etc., all apply to the entity running the TLD database in Australia regardless of whether or not .au is considered a Public Resource.

It is interesting to note however that rent-seeking behavior, regulatory capture and negative externalities all flow directly from categorizing a particular domain name as a public resource.

My thoughts and specific comments follow below.

Introduction:

As the Panel has observed, auDA's registry services "outsource" model is unique among similar sized and governed OECD countries, specifically Canada, the UK, New Zealand and South Africa, all of which run the registry on a public benefit model of some sort.

Outsourcing registry services, instead, subordinates social returns to the private profit of a registry operator and registrars.

The monopolistic regime of registry services stems from Commonwealth policy attributing the capacity to assign domain names to the auDA. It is hence a natural monopoly for both technical and institutional reasons. These institutional reasons derive in turn from the belief that a domain name is some sort of public resource. I will comment briefly on that below.

In order to compare the views formed through my personal experience with those of auDA's Industry Competition Advisory Panel (ICAP), and intrigued by the observations made by the IAP discussion paper, I spent a rainy afternoon plugging historic audDA and AusRegistry data and real costs of running a registry in Australia into a basic registry-modeling tool¹.

Modeling the .au space with publicly available data shows that that if outsourced through 2020 at the rates the current registry operator enjoys, the incumbent (or a successor) will realize over 220 million in monopoly rents through 2020.

The management of these expected rents calls for a clear assessment of the issue of whether outsourcing is necessary or not. Two arguments, somewhat related, are usually made: The first is that the role of auDAs as a registry services manager is incompatible with its capacity to act as an effective and independent regulator. The second is whether outsourcing these services would allow to avoid rent seeking, regulatory capture, and in the end increase efficiency and consumer utility. I will tackle the two issues separately.

On formation auDA was policy-centric and did not have a substantive technical capacity or culture, the practice of outsourcing of registry services in the .au name space is likely both an artifact of auDA's internal capacity on formation and a "desire to maintain a clear separation of policy and operations" in order to "not compromise auDA's ability to act as independent industry regulator". While the history and rationale for outsourcing registry services in 2002 is understandable, the rationale for continuing to do so when the current contract expires in 2014 is less clear.

In particular, it is unclear whether we need the separation of policy and operations - where a natural monopoly exists, in order not to "compromise auDA's ability to act as independent industry regulator": auDA already decides who can connect to the registry, dictates the commercial terms, technical specifications, a code of practice etc. I do not see how adding to this set of competencies the direct management of the .au database would compromise auDA's independence, especially in the current environment where auDA prohibits competing registries.

The reputation of auDA is today established, and there is little doubt that running registry services would not hamper its capacity to act as an independent and effective regulator.

¹ The tool is attached and can be downloaded by anybody from <http://nic.cx/au.xls>. Users can easily model different scenarios, calculate ROI, expenses rents etc.

Coming to the second issue, the benefits to consumer, the idea would be that outsourcing prevents regulatory capture, i.e. the risk that auDA advances vested interests of lobbies and powerful actors in the domain, instead than serving the public interest it were supposed to protect. Regulatory capture is a form of government failure, and often results in inefficient allocation of goods and resources in the economy.

Yet, the risk of regulatory capture is unclear. In particular, as concerns the issue of outsourcing, regulatory capture may take the form of a distorted choice of subcontractors, or of a distorted attribution of domain names. Thus regulatory capture may not as of today be used as a criterion for deciding for or against outsourcing.

In the domain industry every dollar spent by registrars for registry services over and above the cost of providing that service effectively represents a compulsory transfer of wealth from consumers and industry participants (registrars/ resellers) to a monopolist (the registry) in the form of registry fees.

A comprehensive report undertaken by Deloitte and jointly commissioned by auDA and AusRegistry in noted that the industry has “2 *administrative bodies (auDA and AusRegistry)*”; “ if one accepts this description then, 75% of every dollar registrars must spend on registry services in order to participate in the sector flow to a privately owned “administrative entity” which is not subject any transparency requirements (publication of annual report, expenses etc.) that would allow the public or government to accurately gage the economic efficiency of auDA’s management of the .au registry resource.

Economic theory allows for positive and negative externalities or spillovers, i.e. for differences of social and private benefits, that yield an inefficient provision of goods (typically markets under provide a good when the private benefit is inferior to the public benefit, or positive externality, and overprovide it when the private benefit is superior, i.e. in the case of negative externality. Externalities typically emerge in the management of public goods, in which the social return may be superior (e.g. basic research) or inferior (e.g. pollution) than the private return.

The Panel may want query auDA’s Directors if they have ever sought to calculate externalities that results from the Boards decision to allow a private entity to collect monopoly rents in the administration of a public resource.

The Deloitte report is not overly helpful in calculating positive externalities. The Report sought to place a value on “the indirect contribution of economic activity **associated with the .au** domain name range”; it does not accurately reflect the contribution to the economy **because** of the .au domain or auDA and AusRegistry’s administration of the .au space. More importantly, it says nothing on the impact of outsourcing on social and private value. In other words, at the moment it is even unclear whether the externalities would be positive or negative, let alone what their money value would be.

It is also worth noticing that conventional economic theory says that outsourcing the management of public resources/goods, especially where there is a natural monopoly, is somewhat fraught and that without adequate safeguards there may be significant social costs as a result of abuse of monopoly powers and rent-seeking behavior, the latter being defined as an attempt to extract economic rent from the actors involved in economic activities by manipulating the social or political environment in which they occur; while public management is not exempt from the risk of rent-seeking (notably in

the form of the regulatory capture discussed above), outsourcing and private management of public goods typically yield higher social costs and/or inefficient provision of the public goods.

Finally, there is scant evidence to support the view that consumers have more choice and the market is more economically efficient under auDA's accreditation model than it would be if a registry operator simply took a logical commercial decision to allow resellers to connect directly. In fact it may well be less so.

As the Panel notes there are currently at least 4,700 resellers connected via 37 registrars. Essentially those 37 registrars take are licensed to take "cut" of the effort expended by resellers who are marketing .au and delivering a service to the consumer. There is no technical or commercial reason why the .au registry cannot service those 4,700 resellers directly on a pre-pay basis.

The difference between what registrars pay to AusRegistry and what resellers have to pay the registrars is a rent for private registrars, and a compulsory transfer of wealth in the same way that the difference between the cost of running the registry is and the fees charged by the registry operator. From a social point of view this constitutes a social cost not accounted for by private agents, and hence an externality that yields a non-optimal allocation of resources. From both a governance and economic perspective the current registry model may not deliver the benefits that's its advocates believe it does.

Furthermore, the current auDA accreditation process, adds in my view a variety of largely artificial barriers to entry (site inspections, security standards) that do not protect consumers or increase the stability or interoperability of the .au domain with the rest of the Internet. Many of auDA's policies resemble brand management practices and an efforts to ensure the entities that fund it are able to maintain margins.

They create both the incentive and means for a small number of players at the retail level to engage in rent-seeking behavior and regulatory capture— lobbying auDA to introduce artificial barriers that increase the technical or commercial costs of becoming a registrar and thereby granting them to capitalize their position and raise barriers to entry of competitors.

Broadening the perspective one may ask whether a regulator is needed in the first place. This is of course strictly related to the issue of whether domain names are or not public goods. It is likely, even probable, that roughly the same level of external economic activity or in the sector would exist if .au, auDA and AusRegistry did not exist - companies that have a .au website would more than likely still have an online presence under a different domain (.com / .net. .sydney). If .au were to disappear, how many would register .net? how many would register nothing? And what price would .net charge? The argument that "the .au domain name space contributed \$475 million to the Australian economy last year and created more than 4300 full-time jobs" is somewhat spurious.

It may be possible to argue that the transfer and accumulation of wealth to allows a domestic entity to compete on a different playing field, as the incumbent has, and that their success benefits all society as a whole. It is also equally easy to argue that it simply increases the means and incentive to private actors to corrupt institutions and extract

even greater wealth from society as a whole and robs other actors in the industry of the means to innovate and create wealth.

Note:

The argument could be made that the millions of dollars a year spent on running a multi-stakeholder not-for-profit organization like auDA is an inefficient allocation of resources and a regressive transfer of wealth in itself, it is unclear how such a designation protects the public interest. The most common argument is that this is required to “break up a monopoly” and lower prices to consumers. For technical reasons there exists a natural monopoly in the administration of the .au database.

From a purely academic point of view the “liberalized” .au model has simply taken the registry monopoly away from the University of Melbourne and given it to a private company - AusRegistry. As the Panel itself notes “that *there are some commercial constraints on AusRegistry which would prevent it from seeking to raise its prices unreasonably, for example the risk that high prices would drive registrars and registrants to other comparatively cheaper domain spaces.*”

Specific Observations

The Panel has raised a variety of issues and voiced some options with regard to registry services that in my view are inconsistent with the facts.

1.1 Registry Services

The Panel’s Terms of reference do not explicitly include soliciting comments from the industry on the efficacy of continuing the long-standing practice of outsourcing the registry function only, but rather if the “significant costs (both financial- and human resource-related)” of running a tender is likely to result in any efficacy...

The value of the .au registry contract through for the 2014-2018/2020 period can reasonably be expected to exceed 200 million dollars, the commercial model selected by the Board includes an inherent risk (and a substantive incentive) for a registry provider to engage in rent-seeking behavior.

Given auDA’s focus on transparency and the fact that it derives its authority by way of government endorsement, the expense of a full RFT (less than 250K or .00125% of the possible value of the contract) seems a good investment if for no other reason than to protect auDA from any suggestion that it has become a “captured agency”.

Only regular and full RFT’s can provide auDA and the Commonwealth with the level of protection needed to reassure the public that the resource is not being managed by captured entities. When viewed from this perspective cancelling the 2008 tender was probably a mistake as it has left auDA exposed on this front.

The Panel has expressed a concern that should nobody respond to a full RFT in 2014 (worth several hundred million dollars) they will have no leverage when negotiating a 4-6 year extension of the current with the incumbent.

So far as I am aware the Board’s current four year strategic plan, nor any prior plans, include any mention or (allocate any resources) to internal “registry services”

capacity building. A very modest investment in systems and skills now, two years out from the 2014 Tender would give auDA enormous negotiating power.

Armed with a demonstrable technical capacity and backed by a clear willingness on part of the Board, auDA could simply say to the incumbent “make a competitive bid or auDA will bring the registry function under direct day-to-day administration - the way, NZ, Canada, the UK and other OECD countries do. The model I built confirms my suspicion that given the size of the .au zones, registry service to the registrar community in can be provided for less than 1.20 on a cost recovery basis.

A modest investment in hardware and training now (less than 100k AUD) two years out from the end of the current registry contract, would be all that is required to ensure auDA can simply walk away from discussions with the incumbent in 2014 if the RFT process does not deliver a suitable outcome.

A failure on the part of auDA to subject registry services to a full and regular RFT's or to make very modest investments in internal capacity building might lead an outside observer to conclude that the current Board would seem to either be governing a captured agency or be ideologically opposed to introducing an .au a governance model that is both common in OECD counties and has the potential to save the industry half a billion dollars over the next decade.

Rent seeking behavior is notoriously difficult to prove with any degree of certainty but economic inefficiencies can easily be modeled and calculated. The Board might want to expand the Terms of Reference of the Panel to include a study of economic efficacies and the potential savings to the industry and society of that might be realized by changing current practices in advance of the 2014 tender.

1.1-a | Calculating the Cost of a full RFT

The cost of a full RFT would be ~250,000 AUD. The reputational cost to auDA, the Commonwealth and private sector administration of the DNS of **not** subjecting .au to a full and open RFT are in this authors' view considerably higher.

- The cost of preparing a “prescriptive statement of service requirements” – specifications and agreements for registry services would be largely the same if they are published online as part of an RFT or simply form an appendix to a negotiated agreement with the incumbent. The Panel has observed correctly that .au registry specifications and the scope of work required have already been clearly defined.
- ICANN has assigned a cost of 185,000 USD for independent evaluation of gTLD applications by KPMG. An independent evaluation of the response to and RFT for .au registry services by an independent third party reasonably is expected to be in the same range. Independent third party evaluation of the responses by a third party, even if more expensive than repeating the practice followed in 2001 and 2005 (internal evaluation by a Board nominated panel) would be helpful to protect auDA's reputation and impartiality and defend it from accusations that it is captured agency.

- Under the ICANN model successful new entrants to the market with untested technology must submit to *and pay for* an independent technical evaluation of the technical solution for compliance with the RFT specifications in advance of being awarded a contract. The cost for such an evaluation in the gTLD ecosystem is 50,000; auDA could easily mirror this for .au registry services.

Conclusion: There are no “significant costs financial - and human resource-related” that would be incurred by auDA in running a full RFT. This view should not form the basis for cancelling the planned 2014 RFT

1.1-b The .au ‘value proposition’, negative externality

The Panel has observed that “*the performance of the incumbent registry operator is widely well-regarded and .au pricing is largely on par with other TLDs*”, while the incumbents technical solution and staff are well regarded, and registry fees are largely “on par” there is a significant difference between auDAs model and that of CIRA (.ca – Canada) and Internet NZ, or Nominet (UK) etc. In those TLDs the “surplus” - or profits, from monopoly registry operations accrue to the community as a whole, in the .au name space there accrue to a private for-profit company.

Currently auDA’s model provides both the incentive (and means) for private entities to engage in rent - seeking behavior that may have negative impacts on the economy as a whole. It is unclear what benefits if any are realized by the community as a whole under the current model considering the substantive risk and evidence that the model produces negative externalities’.

The Panel has observed that there are “commercial constraints on AusRegistry which would prevent it from seeking to raise its prices unreasonably” future negotiations. Given the massive economies of scale in registry operations, the infrastructure for 50,000 names is roughly the same as that required for 500,000 or 5 million. A registry is at its core, a database that is largely static. The software, hardware and physical plant required for 500,000 names is largely the same as for 5 million.

The Panel seems ready to accept that auDA may have to negotiate “reasonable future price increases” with the incumbent, this seems inconsistent with a basic functions of a registry and the economic theory. Economies of scale dictate that there should be significant downward pressure on registry fees.

Any increase in registry prices after a cancelled tender may serve as a “smoking gun” to anybody looking for evidence that auDA has become a captured agency.

Conclusion: Forgoing a tender and negotiating registry fees with the incumbent based on pricing in other TLD’s - that have not been subjected to tender (.com) or where the surplus flows to the community as a whole seems ill-advised. This “equivalent fee” notion should not form the basis for re-negotiation of the registry contract should auDA cancel the 2014 tender.

1.1-c The incumbent’s Infrastructure Advantage

The Panel notes “*...experience to date shows that the incumbent operator has a clear infrastructure advantage*” and that “*...irrespective of their size [a competitor] would incur*

considerable investment and start-up costs that would limit the competitiveness of their tender participation”

While true the incumbent enjoys an advantage by virtue of its long-standing relationship with auDA and various levels of government, it is not at all clear that AusRegistry would enjoy any meaningful *infrastructure* advantage.

- There are only a handful of facilities in Australia that are likely to meet auDAs rigorous co-location requirements, Equinix (where the incumbent currently hosts) and Global Switch come to mind - perhaps there are a few others. The fees charged by operators of these facilities to the incumbent would likely be identical to those charged to a new entrant. Even if the incumbent not auDA has invested in and owns physical DNSSEC related infrastructure, the cost of those dedicated offsite storage facilities are less than one or two percent of the estimated contract value.
- A Shared Registry System (SRS) is not a mine or automotive assembly facility that requires massive investment in physical plant. Operating a TLD registry requires managing a database on network appliances that are generally replaced every 12-24 months. Over the course of the 2014 – 2020 both the incumbent and a competitor will likely incur the same costs for hardware. Depending on the requirements of the technical solution a competitor using open source databases and technology that have come to market since 2005, they a new entrant may have an advantage over the incumbent. The initial investment in hardware and software to operate a registry with support for as many as 8 million domains would be in the order of 500,000 AUD (see attached budget), certainly not enough to discourage a prospective competitor from bidding on a 200m contract.
- Concerning SRS software and registry systems, while it is true that the incumbent has developed a reliable and well regarded proprietary registry system, any competitor (domestic or international) would bring a proven proprietary or open source system to the table.

The industry is mature, the standards established by ICANN and the IETF, and since the last tender in 2005 two proven open source solutions have become “commercial grade”. No prospective competitor, domestic or international, would have to develop a SRS system from scratch. Because the incumbent has chosen to not go down the open source path they may be at a commercial and technical disadvantage in today's market where open source solutions are readily available.

- Human Resources: if the auDA contract requires certain levels of customer service / registrar support and technical capacity be in place, the costs in terms of retaining those resources - wages, training, supporting infrastructure would be the same both the competitor or incumbent. I understand the incumbent has many as 80 employees and significant related overheads, only 15+- are directly involved the .au SRS. A new entrant with only 15 employees may in fact have an advantage over the incumbent in terms of legislative compliance and compensation requirements.
- As AusRegistry does have an administrative office in the Melbourne CBD, any competitor would presumably have to build new office space for 8-12 people. A respondent could easily set up an administrative office in an economically depressed location in regional Australia and establish a competitive advantage over the

incumbent in terms of office lease etc.

- AusRegistry contracts third parties to provide global anycast services, this infrastructure is essentially rented and any competitor could contract similar anycast services, or perhaps even the identical services for roughly the same rates.

Conclusion: The incumbent holds **no** infrastructure advantage that would limit the ability of a competitor to tender a competitive bid, they may well be at a disadvantage. This “infrastructure” view should not form the basis for canceling the planned 2014 RFT.

1.1-d Transition Costs

“The Panel also notes that there are transition costs for the rest of the industry in switching to another registry operator. Whilst industry participants may be willing to bear some level of cost in order to reap greater benefits in terms of price and service...”

Registries generally are required to comply with technical standards developed by the Internet Engineering Task Force, specifically the Extensible Provisioning Protocol (EPP) and any other Extensions to the EPP protocol that are developed for local conditions / policy. It is safe to assume that auDA would require any new operator to comply with EPP and any locally mandated EPP Extensions developed over that past decade.

Registrars connect to a registry via EPP (an XML API) from the registrars perspective there should not be *any* costs related to modifying their automated systems and only minor costs (if any) related to their internal administrative procedures and staff training. It may well be the case that technology and systems introduced by a new registry operator actually lower the recurring costs administrative costs to registrars.

From a registrars perspective there are little or no transition costs, especially from one EPP system to another.

The public generally only interfaces with the registry in the provision of WHOIS or “RDDS” services, which are standards - based. From the public perspective a change of registry operator is essentially transparent.

Conclusion: The emergence of an open global standard for registry – registrar communication (EPP) have leveled the playing field and made transition from one registry system to another a trivial matter for registrars and seamless from the public’s perspective.

1.2 Competing Registries

“The Panel agrees that the dominance of com.au means that it is highly unlikely that registries operating the other TLDs (approximately 300,000 domain names in total) would be able to maintain a commercially viable operation. Although these TLDs could be operated on a not-for-profit basis, the limited number of registrations and revenue would likely limit the registry operator’s ability to invest in the development and maintenance of technical and customer-facing systems, to the standard required by the RLA. In other words, only the registry operator of com.au would have the resources to maintain, and to a large extent subsidise, the operation of the other existing zones.”

This advice directly contracts auDA's experience. Using auDA's and the incumbents numbers, the "net.au" zone will have ~450,000 domains when it goes to tender in 2014 and as many as 689,000 at the end of the 2018/2020 contact period.

Evidence of Regulatory Capture usually is normally seen in decisions that advance the commercial or special interests that dominate the industry or sector by the entity charged with regulating the sector.

In 2002 auDA awarded AusRegistry the initial 4 year contract at a time when there were only 310,00 domains in all of .au. AusRegistry, a private for-profit company was able to justify all the establishment costs, a "significant infrastructure investment", and presumably see a 100% ROI in over only four years - on 2/3 the number domains that a competitor to the incumbent would have on day one if auDA allows competing registries.

auDA's own experience confirms the commercial viability of a competitor to the incumbent. If commercial viability is a legitimate concern auDA's escrow policy would ensure no risk to consumers.

Given the emergence and wide adoption of a global standards for registry operators since 2005, auDA registrars would not have to re-tool to connect to a competing registry, they would essentially simply need to connect to a different server using a different password.

Conclusion: The commercial viability of a competing registry with 300-600K domains is well established and confirmed by auDA's own experience. The 2014 tender should allow for the possibility of competing registries from 2014 onward.

1.3 Impact of gTLD's

"It is also worth noting that, of the known Australian-based gTLD applications, the .sydney, .melbourne, .afl TLD registry operators are all clients of ARI Registry Services, a wholly owned subsidiary of AusRegistry."

"The Panel believes that the introduction of new gTLDs may have some future effect on the .au marketplace, registry and registry competition, particularly if some new gTLDs are Australian-based. However, this is too great an unknown at this stage, and cannot practically impact upon current policy development deliberations."

The Australian marketplace already includes several Australian – hosted ccTLD registries, the Afghanistan (.af), Christmas Island (.cx), Haiti (.ht), Kiribati, (.ki) South Georgia (.gs), Guyana (.gy), Mauritius (.mu) Norfolk Island (.nf) Timor-Leste (.tl) , Solomon Islands (.sb) are all hosted at Global Switch in the Sydney CBD. Over 200 registrars are currently connected to the registry (including 10 of auDA's 37 accredited registrars)

The open – source registry system use for the TLDs above was developed in AU and NZ over the past decade. It is freely available for download, and is in use by the .iq, .pe, .ec, .ng, .gl, .ms, .ke, .mg, .fm, .ps, .sy, .na, .gg, .ge, .zm and a host of others.

The SRS has been largely updated to comply with ICANN gTLD requirements, a dozen

or so gTLD applicants have proposed using the solution and hosting their TLD in Australia on a cost – recovery basis.

Conclusion: The Australian marketplace already has several participants and proven locally - developed registry technology that is freely made available and could be used by any existing participant in the industry (or even a new entrant) to challenge the incumbent in an full and open tender. A fully complaint EPP, open - source registry system is also available from the. CZ NIC, it could also be used by any prospective competitors to the incumbent.

1.4 Scope of competition amongst potential registry operators in Australia.

“The Panel currently believes there is no evidence of pent-up demand for registry competition in .au (ie. potential competitors prevented from competitive access since 2005).”

The prevailing body of economic and public policy theory confirms the view that a regulatory entity that controls a public resource should seek to maximize efficiency in the delivery of that service to the community (lowest cost - with adequate safeguards) in order to maximize the benefits to the rest of the industry and community and provide resources and opportunity for growth of the industry.

Given the natural monopoly that exists for a registry services for given zone the only mechanism to test the market for demand is to actually put it to tender. From a governance perspective continuing the practice of having the Board nominate a Panel of experts who then advise the board on whether or not there is, in their opinion, sufficient demand to a warrant as Tender does not seem to sufficiently protect auDA from accusations that it is a captured entity.

The idea of a Tender is to test demand; auDA has always had the financial resources and access to technology to enable it to run the .au namespace on a cost recovery basis if the RFT process fails and the incumbent registry operator seeks an excessive ROI.

If Board has taken the decision to contract out registry services then it would not unreasonable for the government entity(s) exercising oversight to put the .au registry services contract to regular tender. Under the terms of the Government’s endorsement auDA’s right to manage the .au name space can be withdrawn at any time for any reason. auDA enjoys an excellent and well-deserved reputation for most aspects of its stewardship of the name space.

The Commonwealth as the champion of the “Australian model” and entity from who auDA derives it’s authority to manage the .au name space may want to insist on regular Tenders to protect regulatory entities (ACMA,DCBDE) from accusations that they are captured entities.

For a large TLD like .au having a multi stake-holder, not-for-profit entity exercise oversight is a sound model, in my opinion auDA’s current practice of out-sourcing the registry function (without or without tender) compromises the model, introduces economic inefficiencies and provides a significant incentive for graft and corruption.

If the auDA Board takes the decision to put .au to tender I would be happy to respond

directly (or form a consortium), based on over a 15 years experience running a variety of TLDs and my recent modeling of the .au name space, I believe the registry can be managed for less than 2.00 AUD per name at current registration levels – and allow for a decent ROI over a four or six year period.

My personal view is that auDA should setup a subsidiary entity to run the ,au registry on a cost recovery basis, with any surplus either being returned to registrars or the community at large. However if auDA is not interested in this model I would respond to an RFT with a commercial / private sector proposition along those same lines. Given the value of the contract I am sure others would also respond to an RFT.

Conclusion: The Australian marketplace already has several participants and proven locally - developed registry technology that is made freely available and could be used by any existing domestic participant in the industry (or a new entrant) to challenge the incumbent in an full and open tender.

Thank you for the opportunity to comment.

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