

AGENDA – COUNCIL MEETING - Friday 29th March 2019

InternetNZ, Level 11, 80 Boulcott St, Wellington			
8:45AM	Arrival tea and coffee		
Section 1 - Meeting Preliminaries			
9:00am	1.1	Formal Opening (Karakia), Apologies	-
9:05am	1.2	Council only (in committee) Council and CE alone time (in committee)	-
Section 2 - Christchurch Mosques Terrorist Attack			
9:30am	2.1	Council Discussion	-
Section 3 - 2019/2020 Plan and Budget			
10:30am	3.1	2019/20 Plan <ul style="list-style-type: none"> Goals Projects Capacity Projects BAU Projects 	-
10:50am	3.2	2019/20 Budget <ul style="list-style-type: none"> Budget Strategy Goals Investments BAU Capacity Capex 	-
Section 4 - DNCL			
11:15am	4.1	<ul style="list-style-type: none"> DNCL Strategy, Plan & Budget Management Fee Addition to DNCL reserves 	-
Section 5 - Close			
11:30am	5.1	Any other business	-
11:35am	5.2	Contingency / Meeting Review	-
11:55am	5.3	Close / Waiata / Lunch	-

2019/20 Plan

Author: Jordan Carter, Group Chief Executive

Purpose of paper: To seek Council Decision on the Key Goals 2019/20

Introduction

This document sets out InternetNZ's draft plan for the 2019/20 year. It is provided to Council for approval at the 29 March 2019 meeting.

Our organisation is dedicated to helping New Zealanders harness the power of the Internet. We are the home and guardian of .nz – providing the infrastructure, security and support to keep it humming. We use the funding from the sale of .nz domain names to support the development of New Zealand's Internet through policy, community grants, research and events. Our mission is an Internet that is open, secure, and for all New Zealanders.

In 2018 we developed a new strategic framework that defines our purpose and sets out our work across three key areas - openness, security & trust, and Internet for all. Within those areas, and within the types of work we do, we have set clear goals to guide us over the next twelve to eighteen months.

The goals were adopted by Council in February. This 2019/20 plan sets out how we will go about achieving those goals in the coming financial year.

The first section sets out the five key goals, what they mean, how we will measure them, and the key projects that InternetNZ will deliver in order to bring them about.

These five goals are our strategic goals, and are to be measured at 30 September 2020. So, this Plan covers our activity against the goals in the 2019/20 business year, and these goals will again feature as they are, or with transparent amendments, in next year's plan.

The fourth goal, on openness and our response to the Christchurch attacks, is new.

We propose Council adopt it as a draft, and seek further input on it. It relates to how the organisation should respond to the Christchurch mosques terrorist attacks on the Muslim community. More engagement with members and stakeholders to define our response is required, and the goal should be finalised at the May meeting.

The second section of this Plan highlights some capability and capacity projects we will deliver in the coming year to change and grow our organisation.

The third section shares information about other important projects that support our work - more of a “business as usual” section.

I am proud of the change to our planning approach set out in this document. Instead of recounting our work by function, we are clear about the goals we are pursuing and what we’ll do to achieve them.

To achieve this, this isn’t a document that sets out all of the work that we do. It is designed to highlight the key work we are doing and to be a meaningful document for Council to approve, thereby guiding and shaping our efforts.

It also gives members and stakeholders a useful guide to key aspects of our planned work.

Finally: most of this plan was prepared before the 15 March 2019 terrorist attacks. Our hearts are broken for the loss of life and the impact of these attacks on the Muslim community. The events have shaken all New Zealanders.

There will be changes in many areas of our lives as the country works through its response.

Jordan Carter
Group Chief Executive

22 March 2019

Section 1: Key Goals

<p>Goal 1: To fund increased public good investment, drive higher sustainable growth in registrations of .nz domain names. Lead - Commercial Director.</p>		
<p>Rationale - InternetNZ’s ability to do its work is financed by .nz. The use of .nz domain names is a key way we help New Zealanders harness the power of the Internet.</p> <p>Setting a goal about growth will focus our attention on understanding how to make .nz more valuable to more people, and work out how we can inspire our channel partners to encourage registrations.</p> <p>Sustainability means that we want incremental improvement in outcomes that is sustained over time, not a quick lift followed by a quick drop.</p> <p>Achieving this goal will grow income from our key product faster, allowing further public good investment sooner.</p> <p>Strategic alignment WHY: Purpose. WHAT: Operate an excellent .nz ccTLD for Aotearoa New Zealand. HOW: Various.</p>		<p>Measures</p> <ul style="list-style-type: none"> • increased revenue from domain name registrations (4+% year on year) • increased numbers of domain name creates • increased proportion of domain names are renewed • average registration and renewal terms increase
<p>Priority Projects</p>	<p>Explanation</p>	<p>Timeframe</p>
<p><i>.nz website</i></p>	<p>Initially this project will deliver a tactical 1-2 page marketing site for .nz to support .nz marketing campaigns. All .nz and registry content will eventually be folded into the larger website project for InternetNZ/.nz that will serve the needs of Registrars and Registrants.</p>	<p>Q1-Q2</p>
<p><i>Marketing</i></p>	<p>Two approaches - with the channel (registrars) and to the public (potential registrants). The goal is to influence increase in registrations of domains and market share in NZ. Adopt international best practice for registrar marketing engagement. Evidence- and experiment-based to learn what levers can be used to impact growth.</p>	<p>All year</p>

<p><i>Registry Front End replacement</i></p>	<p>Replace the SRS frontend with a modern load balancer architecture, and replace our EPP system which is currently close to capacity. This project will improve the reliability of the registry service, and tackle capacity constraints with the existing EPP system which need to be addressed as we focus on growth.</p>	<p>Q2-Q3</p>
<p><i>Domain Sophistication Index</i></p>	<p>This project will collect a series of elements for a domain and build a score that will reflect the level of sophistication of use of the domain. This will enhance our understanding of sustainable domain name attributes and provide measures by which to assess marketing activity.</p>	<p>Q1-Q2</p>

Goal 2: Modernise and improve the policy and security environment for .nz, consistent with our aim of being a globally excellent ccTLD.

Lead - Group CEO.

Rationale -

This goal is about practical and necessary improvements to the .nz policy and security environment, continuing the ongoing evolution of the .nz domain name space.

Our strategy process identified security and stability as a threat to realising our purpose and to our ccTLD responsibilities. A security improvement programme for InternetNZ and .nz flows from this.

Refreshing the .nz policy framework through a community review process, and clearly separating policy from process, will improve its quality and usability and ensure it is responsive to the public's needs.

Strategic alignment

WHY: Purpose.

WHAT: Operate an excellent .nz ccTLD for Aotearoa New Zealand.

HOW: Various.

Measures

- Progress to agreed milestones as documented in comprehensive review
- our cyber security investment and practice is improved on 18/19 baselines, consistent with our role and the threats posed by our environment
- all high priority risks identified in the 2019 risk register review are sufficiently mitigated
- work with registrars to develop and implement improved security covering
 - at least 80% of the market
 - registrars of high-profile domain names

Priority Projects	Explanation	Timeframe
.nz Policy review	A comprehensive review to modernise the policy framework for the .nz domain name space has been signed off by Council and work will continue throughout the financial year.	Q1 2019/20 to Q2 2020/2021
.nz security assessment	Work with registrars to develop a shared understanding of the risks that .nz faces and how we can work together to mitigate these.	Q1-Q2
Risk review	Following a recently updated threat assessment, compile and respond to a new risk register for the group. This area is a major part of updating our approach to risk	Q1

	management across the Group.	
Domain Abuse Detection	Joint work with DNCL to early detect signs that a domain is being registered or being used for some kind of abuse. Current scope is set around detection of potential phishing, Command and Control domains used for malware and fake web shops.	Q1
Security project implementation.	A set of projects to deliver enhanced security for .nz (inside InternetNZ), responding to the updated threat assessment and risk register.	All year

Goal 3. InternetNZ will have two new non-.nz services, validated through our new business processes, delivering annual recurring revenue and each on a path to profitability.

Lead - Commercial Director.

Rationale -

By successfully developing new products and services aimed at making a profit, we can use the income to help more people harness the power of the Internet in new ways.

In so doing we can improve our financial resilience and devote further resources to public good investment.

A rigorous approach to product development will drive success in this goal.

Strategic alignment

WHY: Any of the WHYS - openness, security, for all.

WHAT: Non-.nz commercial activity.

HOW: Great org capability, financial sustainability.

Measures

- business processes that generate a pipeline of ideas, and develop these in reasonable timeframes, are established and operating
- two new services are planned, built, launched and have earned first sale revenue
- each new service has reached net profit within 24 months of first sale

Priority Projects	Explanation	Timeframe
<i>Innovation Pipeline</i>	The innovation pipeline is how we filter and test business ideas. This iteratively proves a product is worth more investment of time as it proceeds through the pipeline, winnowing out ideas without a prospect of success.	Q1-Q4
<i>New product 1(TBC DNS F/W)</i>	Business Case, Build, Marketing, Launch and operation of a new service.	Q1-Q2
<i>New product 2</i>	Business Case, Build, Marketing, Launch and operation of a new service.	Q2-Q4
<i>ANZSIC Classification of the Register</i>	This initiative aims to refresh at least once a month the industry classification of domain names. It will support a better understanding of the register to support product development thinking.	Q1-Q2

Goal 4: Support community safety, inclusion and wellbeing in New Zealand while ensuring that the essential openness of the Internet's governance, technology and architecture is taken into account.

Lead - Outreach & Engagement Director

Rationale -

The terrorist attack on the Muslim community in Christchurch in March 2019 has brought into sharp focus how the Internet can be a force for harm. However, through this horrendous time, the Internet remained a force for good as well.

As the country responds to the attacks, there will be policy debates in several areas. In those that touch on the Internet, a clear understanding of those elements of Internet openness that matter most to the Internet's potential will be an important part of getting policy change right.

No other organisation understands what Internet openness means as well as us. We have a duty to the country to offer that expertise in this time, and to foster broad-based discussion on how we support community wellbeing in an online world.

Strategic alignment

WHY: Openness

WHAT: Inform and influence, Support the Internet community

HOW: Ecosystem player; insight, evidence and analysis.

Measures

- InternetNZ is seen to appropriately contribute to policy debates in this area.
- Essential elements of Internet openness are defined and their dimensions explained.
- We convene broadly based discussion of how to support safety, inclusion and wellbeing that takes account of the essential elements of the Internet's openness.

Priority Projects	Explanation	Timeframe
<i>Christchurch terrorism response</i>	Following the Christchurch mosques terrorist attack, InternetNZ will engage in Internet policy debates that will be part of the country's response to these events, and conduct or commission relevant research. The topics this will include will develop over the coming months.	All year
<i>Define/Explain Internet Openness</i>	Research, develop and release our understanding of the essential elements of Internet openness - how they are defined and what their dimensions are.	Q1-Q2
<i>NetHui 2019</i>	Openness as a theme of NetHui, and use this as a	Q3

	space to discuss and engage stakeholders.	
<i>Colmar Brunton Research 2019</i>	Incorporate questions about Internet openness or other topics that arise from work in this area into our regular market research work.	Q3-Q4
<i>IGF Stream</i>	Engage in preparatory processes for IGF and APRIGF and AUIGF, as well as IGF national and regional initiatives work. Submit and work on sessions as appropriate. Attend. Supporting NZG Internet Governance work.	Q2-Q3
<i>Community funding</i>	Grants funding on soliciting ideas and research on related topics.	TBA

Goal 5: InternetNZ will collaborate with others to identify, agree and effect significant progress on four interventions to bridge different digital divides (motivation, access, trust, skills).

Lead - Policy Director.

Rationale -

Significant digital divides block people from being able to realise their potential, given how much of life now happens online.

We want to influence significant action on closing digital divides by others, so that resources far greater than we can deploy are helping to meet the challenge.

We also understand that working out what will work best will take patient collaboration and shared understanding, so that will ground our approach.

Strategic alignment

WHY: Internet for all

WHAT: Inform and influence

HOW: Ecosystem player; insight, evidence and analysis.

Measures

- demonstrated collaboration with key stakeholders and these stakeholders acknowledge a leading role.
- progress through interventions cover a range of drivers of digital divides and of communities facing them.
- the impact is of an adequately extensive scale, which can be judged by, for example:
 - new funding of \$20m per year is being invested in digital divides initiatives.
 - 50,000 people are on track to benefit each year from these new initiatives.

Priority Projects	Explanation	Timeframe
<i>Government Engagement</i>	Exercise influence with officials and politicians, through public and private means, to help secure the overall goal.	Q1-Q3
<i>Outcomes and Evaluation Framework</i>	Review the Government outcomes and evaluation framework when it is released, and take action as appropriate to influence better approach. Also clarify our own approach to monitoring and evaluation for this goal related to this.	Q1-Q2
<i>Collaboration with Community organisations</i>	Create 'architecture of collaboration' with community organisations - link with impact BaU work in O&E.	Q1-Q2
<i>Community access collaboration</i>	Working with network providers to support and collaborate on their initiatives for lower socioeconomic groups (Spark Jump, Chorus/Housing, N4L conversations).	Q1-Q2

<i>Community Funding / strategic philanthropy</i>	Devote a share of community funding resources to this goal.	Q3-Q4
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Capability

This section sets out projects and people changes that will reinforce our capability.

Projects

To work effectively as an organisation, InternetNZ retains and grows the capability of outstanding people. The domains in which we do this are set out in the Strategic Framework. In 2019/20, there are some projects we will complete to improve our capability.

Project	Explanation/Deliverable
Website Redevelopment	Develop a new single web platform (common infrastructure for our websites) and launch our sites on it.
Community Funding Changes	Bed in the changes made to community funding in the previous FY (aligning funding with our strategic framework). \$895k is set aside for funding in 2019/20.
Partnership Slate	Building and maintaining a slate of organisations with which we have partnerships and agreed projects - funding can be involved.
NetHui 2019	NetHui will be proceeding in 2019, with the approach to be checked against post-Christchurch requirements.
Project Support Resourcing	The project is based on supporting the organisation to develop Project methodologies that will allow efficiency in projects, clear reporting and measurement of success.
Office Refurbishment	This project is to ensure we have a environment that is fit for purpose for our new organisation and will allow us to work and grow effectively over the coming years.
Instrumentation implementation	Replacement for Cacti and monitoring dashboard augmentation for key IT systems.
Skills Transfer Programme	Show-and-tell presentations to introduce concepts and ideas to the staff about "Numerical Literacy and Descriptive Statistics", "Data Visualization good practices" and "Text Analysis".
Maori Internet Community engagement	Building on the Council's work last year, identifying and developing relationships with key organisations and individuals in the Māori Internet Community to inform shared objectives and understanding of our work in relation to Te Ao Māori.
Te Ao Maori	Building on Council's work last year, and the outcomes of the Engagement work in the previous goal, a new staged plan for

	changing and developing how InternetNZ works in relation to Te Ao Maori will be developed, with implementation beginning immediately.
Te Reo Maori	Analyse and select some content to be translated and presented on line in Te Reo.

People

As set out in the high level budget summary, we are proposing some personnel increases that will either see us more adequately resource existing work, or introduce expanded capability to do new things.

The main areas are:

Area	Info
Security	Create new security-focused roles to provide focused leadership on security practice in the group, and to be a more capable advocate for security issues in community discussion.
Technology Services	Create two new roles - a new sysadmin and a new tester - to respond to existing demand and ensure that new product development demands can be catered for.
Outreach and Engagement	Budgets already include resource for a membership-focused role, but that has not yet been filled. It will be in 2019/20. In addition, an additional 0.5 FTE in communications staffing is proposed.
Commercial	New capacity will be required in the commercial team to manage our portfolio of products and to sell them.
Research	Add a Data Engineer to help build solid data collections and workflows that will provide evidence to support the strategic goals.

Other changes within existing resources are assessed during the year as the organisation and our environment evolve. A current organisational chart is published from time to time.

Ongoing Business Projects

This section sets out elements of our ongoing work, sometimes called “business as usual” - we have selected those projects that are top of our BAU priorities and that may be of public or Council interest.

Project	Explanation/Deliverable
Broadband Map Ongoing Product Development	Development of current service offering to maintain relevance and grow revenue. Consists of site rebuild, process improvement, new layers, deepening and widen map data for a range of stakeholders.
Risk Review and Register Update	Fresh view of the risk profile of INZ Group based on the new organisation and the changing environment.
Audit Tender Process	Project Manage the RFP and selection process of new Auditors.
Public Policy Engagement	Ongoing engagement in public policy which relates to our new strategic framework.
Emerging Issues Scanning and Analysis	Ongoing scanning and analysis on emerging Internet issues which relate to our strategic framework.
International Coordination	Implementing processes and information sharing to maximise impact of international engagement.
Government Relations	Programme of meetings and events to engage parliamentarians and government officials.
Hadoop Cluster Review	The Hadoop cluster is over 5 years old and it's running on the last year of maintenance contract. We will review provision and replace it or develop an alternative solution.
Improvements to zone scan collection	Extend the existing zone scan to add new features.
Hardware Replacement	As part of our hardware refresh and replacement cycle a router (ic-gw (iconz-gw) and possibly 2 switches are due to be replaced this year. A number of monitoring servers (AMP) also need to be replaced.
Opensssec upgrade	Upgrade the DNSSEC software to the latest version.
Backup Implementation	Replacement for current SRS tape backup systems.

2019/20 Plan: Execution and Management

Once adopted, this Plan will be made public-facing and published on the website, with a one-page summary also created.

In terms of execution, we anticipate that all of the projects in the Goals and Capability sections of this plan will be delivered, and that there will be capacity in our teams and in the budget to also deliver the Ongoing Business Projects, respond to changes and developments, and carry on the day to day work of the organisation.

The Senior Leadership Team will manage contention in people resources and assure that all our work remains focused on the Goals, on our critical services and infrastructure, and that we stay within the agreed budget limits set out in the 2019/20 Budget.

Recommendation:

1. THAT Council receive this 2019/20 Plan and authorises the Chief Executive to proceed to implementation.
2. THAT Council note the proposal to consult members and stakeholders further on the goal, measures and projects for Goal 4, with a view to receiving an updated final version for agreement at the May 2019 meeting.

Jordan Carter
Group Chief Executive

22 March 2019

Budget Paper 2019/20

Author: Jordan Carter, Group Chief Executive and Catherine Fenwick, Organisational Services Director.

Purpose of paper: To set out the strategy, summary and detail of the proposed 2019/20 Budget and seek Council Approval.

Introduction

This paper sets out the strategy for the 2019/20 Budget, the background information regarding that budget, and proposes for Council's agreement a budget along with associated notes. It should be read alongside the 2019/20 Plan.

1. Budget Strategy 2019/20

This proposed 2019/20 Budget is based on the following key points:

- An assumption of 3% increase in.nz domain name registrations.
- Income from new products starting to come on stream during the financial year.
- Resources and Investment focused on Goal related projects as detailed in the Plan.
- Investing new resources in security and marketing, and being clearer about the resources devoted to product development.
- Careful balancing of operational resources in maintaining our core work as we focus on the new strategic goal projects.
- Building capability across the organisation to support the new goals-focused projects approach and to allow us to work more effectively.
- Maintaining cost controls and taking a prudent approach to assessing our operating model & reducing costs where possible.

In this business year we have a clear strategic framework and well defined goals for the next 12 to 18 months based on all the work completed in 2018/19. This means that we are well placed to launch into the new year with a backlog of work to achieve our purpose.

To agree all our goals the team has come together and worked through the priority and high level resourcing required and while there is still some work to be done in a planning sense, we believe we are in a good position to move the organisation's work to a new direction.

In closing, we note that this Budget was finalised for Council consideration less than a week after the Christchurch mosques terrorist attack on the Muslim community of 15 March 2019. The implications of those attacks and the way the country will respond in the coming months suggest unknown changes to our operating environment, some of which may have cost implications. We will bring

these to Council's attention as they emerge, starting with an update at the May 2019 meeting.

2. 2019/20 Budget: Summary (incl 2018/19 year-end forecast)

This section shows the overall Budget proposal and includes comparisons to current year financial forecast and the initial draft Budget discussed in February. The subsequent section shows detail to support key expense lines and changes year to year.

The Financial information laid out below gives some clarity to the Council on:

- The slow growth rate in .nz domain name registrations and the effect on revenue
- Where our baseline costs are trending
- The investment and return on non-.nz products as we build new revenue streams
- The investment in new and enhanced capability to support our changing environment
- Clarity on one off costs that arise in this financial year.

In particular we draw attention to the fact that compared with the February budget draft, the forecast level of domain name registrations at 31 March is lower than anticipated. This means that the baseline of domain name registration revenue is lower than anticipated as at April 1 and that revenue in 2019/20 is also affected negatively.

The plan for the coming year accounts for this by setting a goal of more rapid growth, and that is incorporated in the assumptions for the budget below, but even achieving that level of growth will lead to lower income due to the lower starting point in terms of register size. The impact is approximately \$300k.

Overall, for 2018/19, the year-end forecast is for an operating surplus of \$523k, which is \$184k ahead of the budgeted surplus of \$337k.

For 2019/20 and out-years, the following items are drawn to your attention.

The DNCL Management Fee is incorporated in the budget as an expense line. This amounts to just over \$1.3m in 2019/20.

Depreciation is now split to align with the revenue generating products/function and is therefore split over three areas, this will allow us to report on product costs and profitability.

Depreciation/Amortisation on .nz developments

Depreciation/Amortisation on new products

Depreciation on operational items

We have included in the Budget a line called “Targeted Cost Efficiencies” (at the bottom of the table over the page). This amount (\$300k) represents realistic savings we believe can be made through evolution of our operating model in various parts of the organisation (tying back to the last bullet point in the Budget Strategy section above).

This budget overall shows a \$130k improvement on the expected year-end deficit compared with the February draft.

The table is overleaf.

Summary Level of Surplus/Deficit

	Forecast	Budget	February Draft	Final Proposed	Year 2	Year 3
Description	2018/19	2018/19	2019/20	2019/20	2020/21	2021/22
.nz registrations	\$10,602,000	\$10,768,000	\$11,150,000	\$10,820,000	\$11,144,600	\$11,478,938
other income (e.g. Sponsorship, recharge)	\$300,000	\$310,000	\$320,000	\$324,700	\$331,194	\$337,818
Total Revenue	\$10,902,000	\$11,078,000	\$11,470,000	\$11,144,700	\$11,475,794	\$11,816,756
DNCL Fee	\$1,320,000	\$1,320,000	\$1,320,000	\$1,340,000	\$1,340,000	\$1,340,000
.nz direct Cost of Sales	\$619,876	\$633,876	\$655,000	\$655,768	\$655,768	\$655,768
Depreciation/Amortisation (Change to Accounting)	\$0	\$0	\$0	\$167,056	\$207,056	\$237,056
Employment	\$4,476,658	\$4,486,323	\$4,744,000	\$4,507,987.44	\$4,643,227	\$4,777,524
Operational	\$1,496,599	\$1,788,105	\$1,585,000	\$1,736,222	\$1,736,222	\$1,736,222
Policy	\$89,344	\$198,000	\$145,000	\$65,000	\$65,000	\$65,000
Governance	\$329,600	\$292,106	\$340,000	\$326,036	\$326,036	\$326,036
International	\$285,730	\$239,000	\$230,000	\$385,767	\$385,767	\$385,767
Communication	\$66,000	\$81,000	\$135,000	\$205,000	\$205,000	\$205,000
Funding	\$890,000	\$895,000	\$900,000	\$895,000	\$895,000	\$895,000
Engagement	\$165,061	\$196,000	\$275,000	\$260,000	\$260,000	\$260,000
Membership	\$35,184	\$27,500	\$30,000	\$5,000	\$5,000	\$5,000
Depreciation	\$672,898	\$678,284	\$738,000	\$401,640	\$426,640	\$436,640
Investment activity	-\$450,752	-\$576,000	-\$550,000	-\$580,113	-\$580,113	-\$580,113
Baseline expenditure	\$9,996,198	\$10,259,194	\$10,547,000	\$10,370,364	\$10,570,603	\$10,744,900
Surplus/Deficit pre New Products/New Capacity/One Offs	\$905,802	\$818,806	\$923,000	\$774,336	\$905,191	\$1,071,856
Non .nz Revenue	-\$41,736	-\$35,000	-\$325,000	-\$275,000	-\$750,000	-\$1,275,000
Non .nz Direct Costs	\$99,584	\$102,416	\$421,000	\$337,963	\$500,000	\$600,000
Innovation Pipeline /Design Sprints			\$75,000	\$75,000	\$50,000	\$50,000

Summary Level of Surplus/Deficit

	Forecast	Budget	February Draft	Final Proposed	Year 2	Year 3
Non .nz Depreciation				\$52,738	\$125,000	\$145,000
New Capacity - Commercial			\$155,000	\$140,374	\$130,000	\$135,000
Addition Legal cost - new agreements etc			\$30,000	\$30,000	\$15,000	\$15,000
New Capacity Tech Services (Dev/Testing)			\$110,000	\$100,000	\$100,000	\$100,000
New product Marketing			\$50,000	\$50,000	\$50,000	\$50,000
Total Non .nz Products	-\$57,848	-\$67,416	-\$516,000	-\$511,074	-\$220,000	\$180,000
Surplus/(deficit) after Non .nz Products	\$847,954	\$751,390	\$407,000	\$263,262	\$685,191	\$1,251,856
Marketing	\$37,263	\$104,000	\$200,000	\$205,000	\$200,000	\$205,000
New Capacity - Cyber security	\$60,000	\$60,000	\$450,000	\$434,512	\$400,000	\$405,000
New Capacity Tech Services			\$110,000	\$106,630	\$90,000	\$95,000
New Capacity - Tech Research			\$70,000	\$70,000	\$70,000	\$70,000
New Capacity - O&E (Comms and Engagement)		\$0	\$107,000	\$145,802	\$140,000	\$145,000
Total New Products/Capacity	\$97,263	\$164,000	\$937,000	\$961,944	\$900,000	\$920,000
Surplus/(deficit) after New Products/Capacity	\$750,691	\$587,390	-\$530,000	-\$698,682	-\$214,809	\$331,856
One offs - .nz Policy Review	\$78,000	\$100,000	\$300,000	\$301,800		
One offs - branding	\$150,000	\$150,000	\$100,000	\$100,000		
Total One-Off Expenditure	\$228,000	\$250,000	\$400,000	\$401,800	\$0	\$0
Surplus/(deficit) after New Products/Capacity/One - Off	\$522,691	\$337,390	-\$930,000	-\$1,100,482	-\$214,809	\$331,856
Targeted Cost Efficiencies				\$300,000	\$300,000	\$300,000
Surplus/Deficit	\$522,691	\$337,390	-\$930,000	-\$800,482	\$85,191	\$631,856
Total Income	\$11,394,488	\$11,689,000	\$12,345,000	\$11,999,813	\$12,805,907	\$13,671,868
Total expenditure	\$10,871,797	\$11,351,610	\$13,275,000	\$12,800,295	\$12,720,716	\$13,040,013

3. 2019/20 Budget: Breakdown by Goal/Project

As detailed in the 2019/20 Plan paper, our work for the next 12-18 months is focused on the 5 agreed Goals. These goals will be the priority for the organisation and as such will receive a large amount of the budget's investment.

Detailed below is some of the larger items that will support us to achieve the Goal Outcomes by Projects.

Please note the financial detail here does not include the cost of current staff or operational costs but is direct costs this financial year to support the agreed workplan.

Additional Budget Allocation to Goal 1	\$ Opex	\$ Capex
<i>Marketing Spend on .nz</i>	\$205,000	
<i>Web Presence Project - incl .nz website</i>	\$50,000	\$250,000
<i>Registry Front End replacement</i>	\$10,000	\$82,000
Total Goal 1	\$265,000	\$332,000

Additional Budget Allocation to Goal 2	\$ Opex	\$ Capex
<i>.nz Policy review</i>	\$301,000	
<i>Security Investment - Capability and assessments</i>	\$434,512	
Total Goal 2	\$735,512	\$0

Additional Budget Allocation to Goal 3	\$ Opex	\$ Capex
<i>Innovation Pipeline</i>	\$75,000	\$30,000
<i>New product 1 (Deficit in Yr 1)</i>	\$110,701	\$190,000
<i>New Product 2 (Deficit in Yr 1)</i>	\$5,000	\$170,000
<i>Marketing / Legal for New Products</i>	\$80,000	
<i>Additional Technical Resources</i>	\$100,000	
<i>New Product Manager</i>	\$140,374	
Total Goal 3	\$511,075	\$390,000

Additional Budget Allocation to Goal 4	\$ Opex	\$ Capex
<i>All cost assumed with current capability</i>		
Total Goal 4	\$0	\$0

Additional Budget Allocation to Goal 5	\$ Opex	\$ Capex
<i>All cost assumed with current capability</i>		
Total Goal 5	\$0	\$0

Additional Capacity / BAU (Incl Positions not included Above)	\$ Opex	\$ Capex
<i>Office Refurbishment</i>	\$20,000	\$350,000
<i>Project Support resourcing</i>	\$100,000	
<i>Hadoop Cluster replacement</i>	\$25,000	\$200,000
<i>Broadband Map redevelopment</i>	\$10,000	\$150,000
<i>Te Reo Maori Engagement and Translation</i>	\$100,000	
<i>New Capability Tech Services</i>	\$106,630	
<i>New Capability Data Scientist</i>	\$70,000	
<i>New Capacity Outreach and Engagement</i>	\$145,802	
Total Capacity /BAU Projects	\$577,432	\$700,000

4. Capital Expenditure Budget

The proposed capex budget is set out below. This is showing cash and capitalised salaries, divided into three categories:

- Baseline – to support business as usual operations.
- New product development – expenses to develop new products.
- Capacity – generally, one off capitalised expenditure that allow us to change our operating model or are irregular.

The table is overleaf.

Work Item	\$ cash	Capitalised Salaries
Hadoop Cluster Replacement	\$200,000	
SRS Backup implementation	\$60,000	\$8,000
EPP replacement Project		\$64,000
Hardware Replacement - .nz	\$30,000	\$4,000
New/Replacement Laptops/Monitors/Phone	\$64,428	
Registrar Portal Update		\$40,000
SRS Frontend replacement		\$18,000
Bastian Hosts (secure access points / DMZ)	\$10,000	\$5,000
RDAP - Registration Daya Access Protocol		\$25,000
Centralised Logging		\$28,000
Other Project	\$17,232	\$33,000
Total by Category	\$381,660	\$225,000
Total Baseline Investment	\$606,660	
New Product Development - Product 1	\$194,000	
New Product Development - Product 2	\$170,000	
BBMap Development	\$105,000	\$45,000
Total by Category	\$469,000	\$45,000
Total Non .nz product Development Investment	\$514,000	
Website Presence project	\$250,000	
Fitout	\$350,000	
Total by Category	\$600,000	\$0
Total Capacity Investment	\$600,000	
Total by Category	\$1,450,660	\$270,000
Total Capital Investment	\$1,720,660	

Recommendations:

1. THAT Council **receive** this paper and **agree** the strategy and high level composition of expenditure for the 2019/20 Budget.
2. THAT Council **approves** for 2019/20 an operational expenditure limit of \$12.8m and capital expenditure limit of \$1.73m.
3. THAT Council **note** the Revenue target of \$12m, incorporating new product revenue of \$275k in 2019/20.

Jordan Carter
Group Chief Executive

Catherine Fenwick
Organisational Services Director

DNCL Strategic Plan 2019-2021 & Management Fee 2019-2020

Author: Jordan Carter Chair of the DNCL Board

Purpose of paper: To receive, and agree the 2019/20 DNCL Management Fee, and approve the request to restore the DNCL reserves.

Strategic Plan 2019-2021, Management Fee 2019/20, Restoration of contingency fund and Independent Review

On behalf of the DNCL Board, I am pleased to be able to provide the InternetNZ Council with DNCL’s strategic plan and operational updates including the 2019/20 management fee.

Strategic Plan 2019-2021

Please find enclosed the Domain Name Commission’s Strategic Plan for 2019-20. The Board considered it important to develop a new purpose for the Domain Name Commission after the organisational review that reflected the Commission’s key functions.

The plan was also devised in the context of the broader InternetNZ group’s strategy and joint transformations around the .nz domain name space.

For the period 2019-2021 the Commission is proposing three priority areas focused on compliance, dispute resolution and enforcement of .nz policies. Our transformations are designed for the Commission to be an excellent self-regulator that delivers exceptional compliance and dispute resolution services.

The Commission will be working with InternetNZ shared communication services on how best to communicate the new strategic priorities in the context of the new branding work.

DNCL Budget for 2019/20 and Management fee

The DNCL continues to operate on a ‘break even’ basis and sets the management fee to cover operating costs and its contingency fund. The DNCL Board has set the DNCL Management fee at \$1,340,000. This is a similar amount to last year’s budget and follows savings in the management fee of \$529,840 as a result of the 2018/19 reorganisation.

Table A below sets out DNCL's proposed budget against the last two financial years, and future draft budgets for 2021-2022.

Budgets 2017-2020/Draft Budgets 2020-2022
Domain Name Commission Limited

	Approved 2017/18 Budget	Approved 2018/19 Budget	Approved 2019/20 Budget	Draft 2020/21 Budget	Draft 2021/22 Budget
Income					
Income					
Authorisation Fees	\$9,000	\$6,000	\$6,000	\$9,000	\$9,000
Income - DRS Complaint Fees	\$34,000	\$34,000	\$34,000	\$34,000	\$34,000
Interest Income	\$14,010	\$11,000	\$13,500	\$8,500	\$13,000
Management Fees	\$1,869,840	\$1,320,000	\$1,340,000	\$1,340,000	\$1,340,000
Total Income	\$1,926,850	\$1,371,000	\$1,393,500	\$1,391,500	\$1,396,000
Total Income	\$1,926,850	\$1,371,000	\$1,393,500	\$1,391,500	\$1,396,000
Gross Profit	\$1,926,850	\$1,371,000	\$1,393,500	\$1,391,500	\$1,396,000
Less Operating Expenses					
Policy Projects	\$30,000	\$50,000	\$35,000	\$40,000	\$40,000
Communications	\$58,000	\$21,530	\$25,000	\$25,000	\$25,000
Compliance	\$0	\$12,340	\$69,000	\$50,000	\$50,000
Director expenses	\$171,430	\$40,430	\$36,000	\$36,000	\$36,000
Dispute Resolution Service	\$98,520	\$98,520	\$103,000	\$103,000	\$103,000
International	\$192,100	\$204,770	\$143,800	\$145,000	\$145,000
Office and Administration expenses	\$225,251	\$290,680	\$282,000	\$285,000	\$285,000
Personnel and Staff costs	\$1,045,850	\$540,181	\$600,200	\$613,000	\$623,000
Professional Services	\$60,840	\$44,840	\$45,000	\$45,000	\$45,000
Registrars	\$7,740	\$18,480	\$24,000	\$24,000	\$24,000
Depreciation	\$29,700	\$45,600	\$30,000	\$25,500	\$20,000
Other Comprehensive Items	\$0	\$130,000	\$500,000	\$0	\$0
Total	\$1,919,431	\$1,497,371	\$1,893,000	\$1,391,500	\$1,396,000
Gross surplus/deficit	\$7,419	-\$126,371	-\$499,500	\$0	\$0

US Litigation and Contingency Fund

The Domain Name Commission continues to pursue a company in the US for breach of contract. In addition to the substantive matter being set down for a 7-day trial in September the matter has been appealed to the Ninth Circuit.

The Domain Name Commission has been using its reserve funds to fund this extraordinary expense.

To restore the reserve fund and have enough money for contingency the DNCL Board would therefore request InternetNZ consider a \$0.5m transfer to Domain Name Commission Ltd this financial year.

While this amount should be sufficient to continue the defence of the appeal of the preliminary injunction and the hearing of the substantive matter the legal costs all remain estimates and further funds may be needed during the 2019/20 year depending on the outcomes of ongoing litigation.

The DNC will continue to brief the CEO of InternetNZ and Chair of the DNCL Board on the status of the US litigation and provide updates to InternetNZ Council as and when required.

Independent Review

The DNCL Board has now received the David Pickens Independent Review of the Domain Name Commission. The Board is currently considering the report and responding to the recommendations contained in the report will be a key priority of quarter 1 of the new financial year. We can provide the Council with an update at the next Council meeting.

Recommendations:

1. THAT Council receive this paper and agrees the Management fee of \$1,340,000.
2. THAT Council approves for the request for \$500,000 to restore DNCL reserves

DNCL STRATEGY 2019 -2021

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InternetNZ Purpose and Vision

Purpose: Helping New Zealanders harness the power of the internet

Vision: For an internet that is open, secure and for all New Zealanders.

DNCL Purpose

To be a fair, independent and accessible self-regulator who provides trusted oversight of the .nz domain name space and an excellent dispute resolution service.

DNCL Strategic Transformations

1. Transformation one - DNCL is to promote an effective system of voluntary self-regulation in respect of the .nz domain name industry

Transformation/s		
From	To	
1.1	The operation of the .nz self-regulatory environment is independently reviewed, and regularly thereafter, by an independent party commissioned by the DNCL Board.	The .nz domain name space is recognised as effective and successful at improving public good outcomes for participants in the .nz domain name space.
1.2	Maintaining trusted and respected relationships with other regulators both locally and internationally.	DNCL is recognised as a contributor to best practice regulatory and governance arrangements for the .nz domain name industry and broader international domain name market.

2. Transformation two - DNCL retools and reassess its compliance function and activities to continuously improve and reduce compliance risks and strengthen the .nz domain name space

Transformation/s		
From	To	
2.1	DNCL has a set of discrete compliance activities that are reactionary to reports of compliance issues.	DNCL has a tailored holistic compliance programme that aligns activities with a risk profile and tolerance that is responsive to changes in the domain name space.
2.2	DNCL contributes to InternetNZ group strategies related to cybersecurity.	DNCL takes an active role in identifying and fixing domain name abuse issues.

3. Transformation three - DNCL applies their expertise in policy interpretation and enforcement to drive better .nz policy outcomes and decisions.

The .nz policy framework has evolved from its origins in 2002.	The .nz policy framework has been reviewed and updated for current needs, and is validated as meeting the needs of the .nz domain name space
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	including the local New Zealand Internet community.
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4. Transformation four - DNCL operates a modern, contemporary and digital first domain name dispute resolution service

The dispute resolution service has evolved from its origins in 2006.	The dispute resolution service is reviewed and updated for current needs, and is designed to resolve disputes efficiently, fairly and as meeting the needs of the New Zealand Internet community.
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Joint .nz Group Strategic Transformations

DNCL also contributes to the following joint InternetNZ group strategic priorities and transformations:

Goal 2: Modernise and improve the policy and security environment for .nz, consistent with InternetNZ’s aim of being a globally excellent ccTLD.	
<p>Rationale:</p> <p>This goal began as a commitment to understanding and improving excellence in .nz. We have decided to be more specific in the 2019/20 timeframe by recognising two committed areas of work that will contribute to this.</p> <p>Our strategy process identified security and stability as a threat to realising our purpose and to our ccTLD responsibilities. A security improvement programme for InternetNZ and .nz flows from this.</p> <p>Refreshing the .nz policy framework through a community review process, and clearly separating policy from process, will improve its quality and usability and ensure it is responsive to the public’s needs.</p>	<p>Measures:</p> <p>Adopt a revised .nz policy framework following a comprehensive review</p> <p>our cyber security investment and practice is improved on 18/19 baselines, consistent with our role and the threats posed by our environment</p> <p>all high priority risks identified in the 2019 risk register review are sufficiently mitigated</p> <p>work with registrars to develop and implement improved security covering at least 80% of the market registrars of high-profile domain names.</p>