

25th September 2017

Jamie Baddeley, President
InternetNZ
PO Box 11881
Wellington

Re: Feedback on the InternetNZ Organisational Review Revised Change Proposal

Dear Jamie

Thank you for the opportunity to provide feedback on the InternetNZ Organisational Review Revised Change Proposal. I provide this feedback in my role as Chief Executive of NZRS.

The original proposal, because it removed all the strategic, cultural and operational barriers hindering InternetNZ from reaching its full potential, is by far my preferred option. This new proposal, is really quite different and some clarity and tweaks are needed in order to make it work.

Independent regulator

I think it is quite clear that any subsidiary, however closely or well managed, will by definition have a narrower strategic remit and will inevitably develop a different culture and set of operational priorities. Our experience, which has led to this restructuring, is that for us to take InternetNZ to the next level we need to limit that divergence as much as possible.

For that reason my first recommendation is:

- *The functions included in an independent regulator are strictly limited to those where independence is required.*

Looking at each of the functions detailed in the proposal in turn shows that some need to be tweaked in order to achieve that minimisation of divergence:

1. Dispute Resolution Service. This does not strictly need to be independent because the disputes are solely between third parties, but independence strengthens the credibility of the process and does not undermine an integrated .nz service.
2. Market regulation. I assume, and this is an important issue if my assumption is wrong, that the market regulation policy will be set as part of the new InternetNZ .nz policy function and not by the independent regulator. The role of the Independent regulator will be to regulate in accordance with that policy, much in the same way that the Government passes regulations for the Commerce Commission to implement.

It should be noted that this could introduce some disconnections in the .nz service but those are manageable given the high importance attributed to an independent regulatory function. For example, registrars are notified of bad registrant data through their portal and if an independent regulator develops a separate notification system then this will only confuse. The safeguards of the InternetNZ CE being the Chair should be sufficient to prevent this.

3. Authorisation/Voluntary de-authorisation of registrars. Splitting off registrar authorisation from the rest of the .nz service is and will continue to be a significant barrier to an integrated .nz service and something that will continue to confuse and frustrate new registrars. From the perspective of a permissionless internet it also seems entirely incongruous that we require prospective customers to be authorised by the regulator before we provide them service.

When a company wants to become an ISP, it gets an AS and IP address range from APNIC, a commercial transaction, and signs up as a Chorus and LFC retailer, also commercial transactions. No regulatory permission is required, which is a core principle for our view of the way the Internet should work.

4. International representation. Given that the independent regulator will not be setting policy, only implementing it, I see no reason for it to have a formal role in representing .nz at international conferences. That will only continue our current confused international presence.
5. Separate staff. I don't think we should lock in the decision that an independent regulator should have separate staff. There are some clear skills alignments that stretch across the proposed independent regulator and the new InternetNZ and it would be sensible to tease those out as the next stage of the review before deciding on staffing structures.

To summarise this section, I recommend the following:

- *Authorisation and voluntary de-authorisation of registrars becomes part of the operational .nz service in the new InternetNZ and not a function of the independent regulator.*
- *The independent regulator has no formal role in representing .nz internationally.*
- *The staffing split between InternetNZ and the independent regulator, and whether these are permanent or seconded staff, is left for the new CE to propose as part of their assessment of all staffing structures in the implementation stage.*

.nz Policy Committee

I strongly support .nz policy being set by the new InternetNZ for two reasons. First, that is the organisation that will have the deep community relationships and extensive communications and engagement mechanisms needed for proper consultations. Second, as the proposal is for an independent regulator then splitting the regulatory policy from the implementation will ensure that the .nz market does not suffer from under-regulation.

The revised proposal introduces this .nz policy committee to shield against the undue influence of a .nz registrar elected to Council. However, it should be remembered that the .nz service delivered by NZRS is currently shielded from registrar influence by virtue of an independent board, which disappears when it is merged with InternetNZ. For example, the credit terms offered to a registrar are set by NZRS independently of .nz policy and so in a merged structure would need similar shielding as .nz policy.

My recommendation is:

- *The role of the .nz policy committee is expanded to include all areas of .nz operations that require shielding from a possible conflict of interest of individual councillors.*

Impact on people

As good executives and good governors, we know that the people are the heart and soul of an organisation and it's for that reason that the lens of the impact on the people is critically important, second only to the vision.

While the general mood remains positive and business continues as usual, there's a growing concern that the impact on staff is not well understood, particularly in this revised proposal. It matters quite deeply to people that their individual roles are understood and the impact of any changes on those roles are recognised. That doesn't mean that any adverse impact should be avoided, just that it should be explicitly recognised.

The impact on the CEs and Directors is prominent and consequently well understood, but that should not be regarded as the limit of impact. To help Council understand the impact on the rest of the staff, I provide the following observations:

- One of the stated aims of the proposal is greater efficiency with an emphasis on duplication of functions. This has the admin staff throughout the group personally concerned that their roles will be rationalised.

- There are some common services that NZRS outsources and InternetNZ provides directly. If a combined organisation switched to an outsourcing model then that would have a significant staff impact.
- To deliver the scale of change needed to justify a reorganisation of this magnitude, a rethink of how the new InternetNZ delivers certain aspects of its service is required. In other organisations, this often means significant changes to the second tier of management.
- The revised proposal sees the splitting of the roles of some DNCL staff between InternetNZ and the new independent regulator. This is going to cause staff concern.
- The clustering of roles in the proposed structure brings together some quite different roles. While it is accepted that this level of detail is appropriate for a high-level proposal, it would be reassuring to staff if the final version of the proposed entity structure was based on a more nuanced understanding of staff roles.

Most importantly, it should be remembered that the staff care very deeply about their organisations and their roles within those and they have their own strongly held aspirations and vision that this change can achieve.

To summarise this section, I recommend the following:

- *The final change document should acknowledge in more depth the staff concerns and their aspirations, across the organisation.*
- *The proposed entity structure in the final change document should include a more nuanced understanding of staff roles.*

If you have any questions on my feedback then I am more than happy to present in person.

Your sincerely



Jay Daley
Chief Executive
NZRS Ltd