



APNIC
Member Fee Structure Review
Presentation to Fees Working Group

August 2007

RISK ADVISORY SERVICES

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- 1. Fee Structure Review**
2. Overview of Short-term Fee Structure Proposal
3. Long-term Fee Structure Considerations, Criteria and Options

Fee Structure Review

Background

- The APNIC EC has commenced a process to review the APNIC fee structure
- At the Singapore meeting of the EC the fee structure issue was discussed and it was agreed that there is no short term quick solution – the issues involved are complex and they need to be properly researched – this will take time
- Analysis of APNIC's financial performance shows:
 - A narrowing gap between revenues and expenses, with APNIC projected to make a loss for the first time in 2007
 - A negative impact from exchange rate movements where fees are issued in \$USD and expenses are paid in \$AUD

The proposal for consideration at APNIC 24

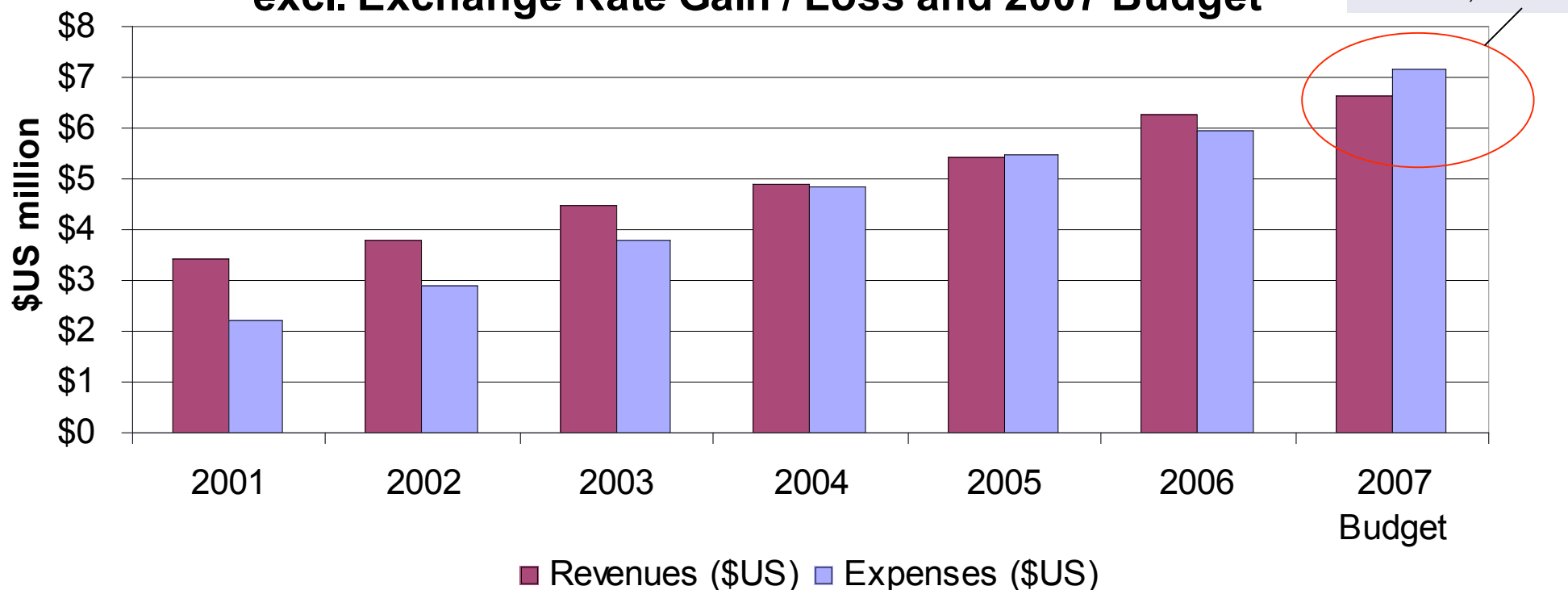
- Recognising the complexity of the issue, the EC have proposed a short-term solution where fees are levied in \$AUD, and increased by 7% to restore APNIC to a balanced budget position
- Suggested issues which need to be taken into account – for consideration and feedback from members

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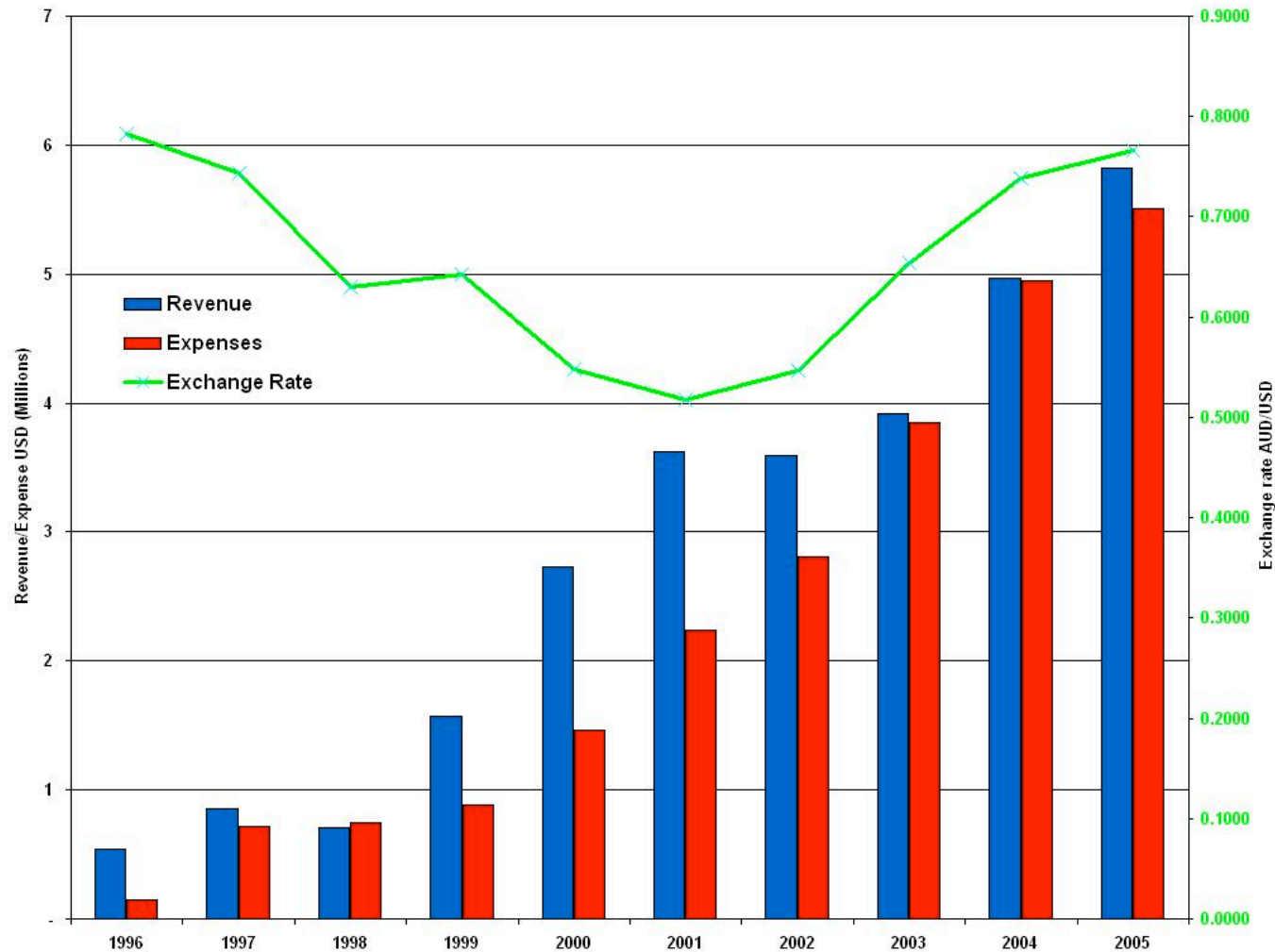
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From 2001 to 2006 APNIC's revenues have either exceeded or matched operating expenses (excluding exchange rate gains in losses) – APNIC's 2007 budget however projects a loss of \$USD 492,000

APNIC Actual Revenues and Expenses 2001-2006 (\$US) excl. Exchange Rate Gain / Loss and 2007 Budget

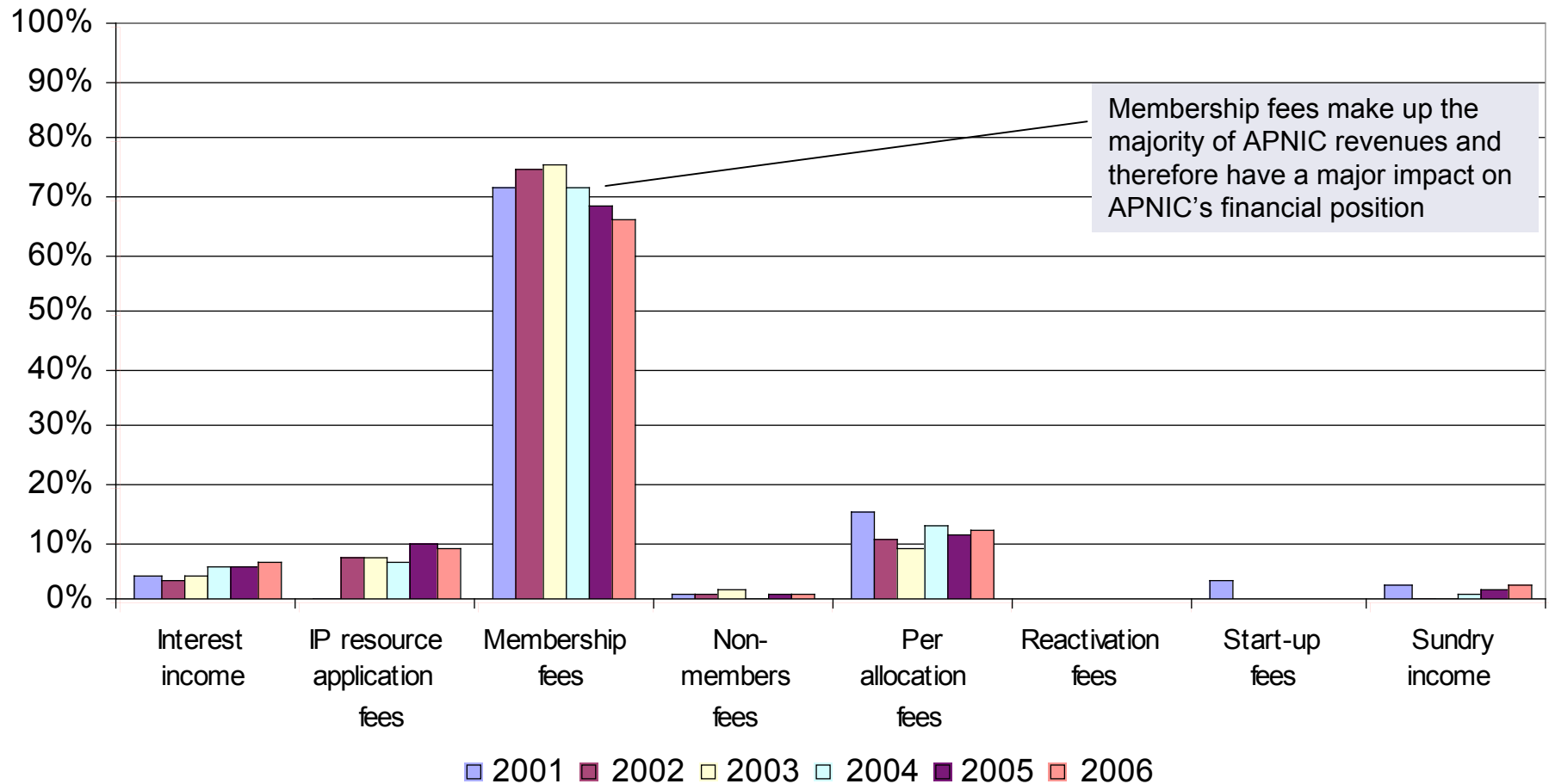


The movement between expenses, revenues and exchange rates over the period 1996 – 2005 shows a narrowing gap between revenues and expenses, impacted by the exchange rate which has resulted in losses in recent years



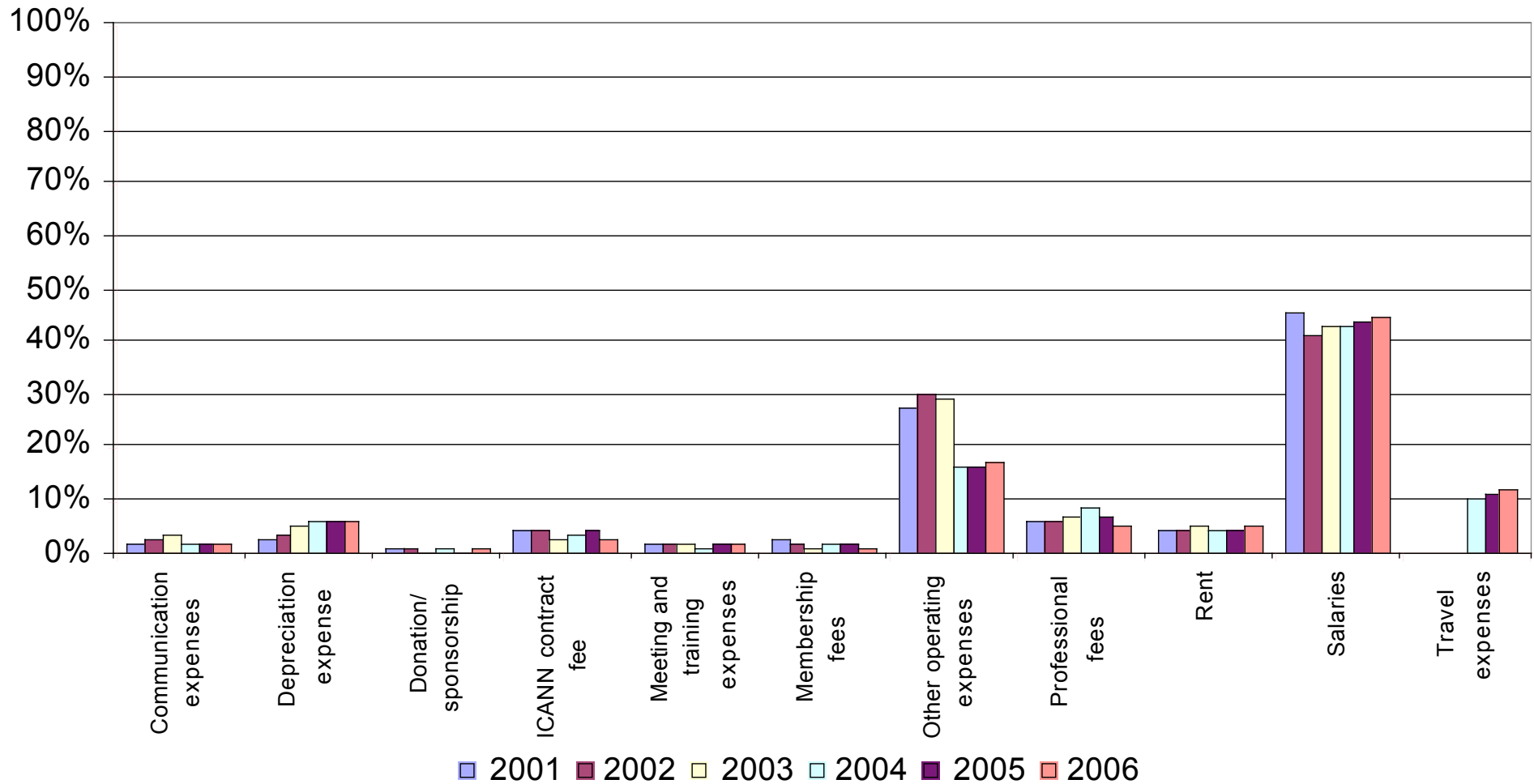
APNIC Revenue Breakdown 2001-2006 by Revenue Source

APNIC Revenue Breakdown 2001-2006 (\$US) by Revenue Source



APNIC Expense Breakdown 2001-2006 by Expense Source

APNIC Expense Breakdown 2001-2006 (\$US) by Expense Source



KPMG considers it to be financially prudent that the EC proposal be recommended to the membership to take short-term actions to address APNIC's financial position - not to do so would expose APNIC to financial risk

Short Term Fee Structure Proposal as put forward by the EC at the Singapore meeting

Key Components

- Fees to be **levied in AUD** to help address impact of exchange rate fluctuations
- An overall percentage increase of 7% across all levels of membership **in order to achieve a balanced budget** on the basis of approved expenses for 2007
- Change to take effect from **1 January 2008**

Key justifications for proposed fee change

- Exchange rate variations have resulted in a deterioration in APNIC's AUD revenues by over 40% since 2000
- APNIC has not increased its fees since 1996:
 - There has been no adjustment for inflation over this period
 - Resulted in a narrowing gap between revenues and expenses
- The demand for greater and better services by APNIC members:
 - Generally members are very positive about APNIC's services
 - However, the declining revenue base when considering exchange rate fluctuations and inflation limits the opportunity for further service improvements

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The EC will need to come to a position on the long-term APNIC member fee structure which ensures sustainability, while protecting the principles of fairness and equity across APNIC's membership

Longer Term Member Fee Structure Considerations as agreed by the EC at its Singapore meeting

- The impact of the depletion of IPv4 resources
- The service requirements for IPv6 address allocation
- The potential of a transaction-based service model and member fee structure
- The potential of a relative load-based service model for member fee structure
- The EC's capability to steer APNIC's priorities for activities
- The potential of increased transparency by establishing a budget review committee
- The perceived lack of transparency of the operations of NIRs
- The current per-address fees of NIR / Confederation members

At the EC meeting in Singapore, a range of potential components of long-term fee structure options have been identified:

- Activity plan and adopted expense budget
- Currency in which the fees are to be charged
- Escalation process for review of fees
- Application fees
- Memberships tiers/classes
- Per address fee for NIRs
- Discount for NIRs based on 'other' work undertaken
- Link to address space – 2 bits for IPv4; 4 bits for IPv6
- Service intensity
- Continuous formula as basis for charging of fees – total address holding, not membership based
- LDCs – discounts to apply to LDCs
- Ageing of address holdings