SPECIAL GENERAL MEETING

CEO Presentation

31 July 2017

auDA's Constitution - Preamble

Taking the view that the Internet Domain Name System is a public asset, and that the .au ccTLD is under the sovereign control of the Commonwealth of Australia, auDA will administer the .au ccTLD for the benefit of the Australian community

auDA Stakeholders

- Australian Government

- Members

    - Supply Class – registry, registrars and their resellers

    - Demand Class – domain name registrants and users of .au domain names

- Accredited .au registrars and potential registrars that are not members

- Domain name registrants that are not members

- Broader Australian Internet Community (as per auDA's constitution)

- Global Internet community (as per RFC 1591)

Reforms at auDA

- Governance
- Organisational
- Policy & Compliance
- Registry Transformation Project

Governance

Expense Management Review

- Board decided to undertake an independent review of expense management

- Appointed PPB Advisory – Forensic Review

- 2 phases:
  - Phase 1 – travel and expenses review under instructions from Maddocks commencing in February 2016
  - Phase 2 – forensic investigation under instructions from Ashurst commencing in September 2016

Expense Management : Overall findings

The review of travel and expenses identified there was a lack of formal policies and procedures governing how travel and expenses were managed at auDA.

There were high levels of expenditure on international travel and reimbursement arrangements with international bodies that lacked transparency, which should have warranted a more robust process;

There was general a lack of formal procedures and supporting documentation.

Governance Reform

- **Cameron Ralph Report** made 16 recommendations and was adopted by the Board on the 16th of October, 2016. The Board approved for 15 of these recommendations to be implemented by Management. Recommendation 8 - expanding and broadening the membership base - was placed on hold pending a strategic review.

- Recommendations included:

- Board Strategic Retreat, re-draft of Delegations Framework, introduction of Board policies and behaviours, develop key messages on accountability, membership reform, independent election conduct, director training, development of a skills matrix, external expertise to be communicated to stakeholders, modernised and reform auDA's Constitution, and a 4th independent director.

- Rec 16 – "In the meantime, the Board should consciously work to adopt ASX good governance principles to the extent practicable within the current Constitution and Rules".

- https://www.auda.org.au/assets/Uploads/Cameron-Ralph-Report-for-auDA2.pdf

Board Strategic Retreat – Feb 2017

FUTURE PLANS: STRATEGY RETREAT FEB 2017

GENERAL PLANS TO DEVELOP: KEY STRATEGIC DRIVERS

CYBER SECURITY

SERVICE DELIVERY – CORE FUNCTION

DIGITAL COMMUNITY ENGAGEMENT

DATA SCIENCE/ANALYTICS
CLEANING UP 2LD
EDUCATION AND AWARENESS
UTILIISATION OF LEADING EDGE
TECH TO ENHANCE DNS

PROACTIVE AND PREDICTIVE
REVIEW POLICY AND SERVICE
DELIVERY
IMPROVING MEMBER
EXPERIENCE
RELATIONSHIP DRIVEN
COMPLIANCE MANAGEMENT

NATIONAL INTEREST AS
PRIMARY MOTIVATOR
INTERNATIONAL STRATEGY –
CAPACITY BUILDING APAC AND
AT ICANN
DOMESTIC STRATEGY – WIDER
INDUSTRY STAKEHOLDER BASE
& RAISING AWARENESS OF .AU

Governance Reform – next steps

Cameron Ralph Khoury has been retained to complete:

- Board Values
- Board Charter
- Board Code of Conduct
- Implementation of a Board Skills Matrix
- Enhanced Induction Program for Directors
- Board Evaluation Process, and
- Update our accountability and governance framework

Strategic Review 2017

- Board has initiated a strategic review commencing in July 2017 with the objective to:

  Reposition auDA to enhance its role, improve its processes and services, redefine its scope, shape its spheres of influence, and provide greater benefit to the Australian community

- Extensive stakeholder, member and industry consultation over the next 6-8 weeks

- Public document for comment late September 2017

Organisational Reform

Membership service improvements

- A membership wide feedback survey - 2016

- Made becoming a member easier – online application - 2016

- Increased our member communications – monthly newsletters increased from quarterly as of January 2017

- Improved the content in communications – 2017

- Commenced a Registrar Roadshow - 2017

- Launched a Membership Meet-up series (recorded)

- Mapped all of our key stakeholders - investing in key partnership to benefit the .au community - 2017

- Started a Consumer and Business Tips blog series - 2017

- Re-development of community programs - 2017

- Direct Reg research prior to drafting policy - 2017

Financial Management Reform

- Introduction of in-house CFO, financial management processes, payroll and HR management software; better alignment of financial controls with organisational requirements: Payroll Tax refund - $450K

- Dedicated travel and expenses management process – introduction of travel diaries requirement for all directors and staff: FBT liability - $100-200K

- Budgetary processes by business unit and activity with managers responsible for expenditure and financial controls

Further Organisational Improvements

- Implementation of internal policies/processes: Delegations; Procurement; Travel; Communications; EAP; Whistle Blower; Bullying and Discrimination; Leave; Security at auDA.

- Development of comprehensive Enterprise Risk Strategies.

- Improvements in technology administration including system administration reporting and documentation.

- Introduction of specialist staffing skills focussed on organisational efficiency improvements in complaints, service delivery, policy development and engagement.

Technical Operations Review

- auDA commissioned an independent review of technical operations in December 2016

- Mike Burgess (formerly Chief Information Security Officer, Telstra, and Deputy Director of Australian Signals Directorate) tasked to report on:

  - Technical management of the .au zone file and its sub-zones;

  - Compliance with DNSSEC and Information Security Standards

  - Management and Maintenance of a secure and stable DNS

Policy & Compliance

Unauthorised Business Use

Unauthorised Business Use Deletions

Unauthorised Business Use – next steps

- Currently undertaking Warranty Checks for 7,158 domain name registrations suspected to be related to Unauthorised Business Use (UBU's)

- Since 1 May 2017, a total of 12,235 domain name licences have been the subject of deletion or have current Warranty Checks underway.

Policy Reform 2017-8

- auDA has no statutory status to impose and enforce policy. auDA relies on its contractual arrangements to impose and enforce its 'Published Policies".

- auDA's Published Policies are incorporated as a term of the contract between:

  - auDA and the Registrar (Registrar Agreement)

  - Registrar and registrant (Mandatory Terms and Conditions)

Policy Reform 2017-8

- 33 Published Policies which have not kept up to date with legislative change such as:

  - Competition and Consumer Act 2010;

  - Business Names Registration Act 2011;

  - Australian Charities and Not for Profits Commission Act 2012;

  - Charities Act 2013

- Published Policies are not user friendly – 13 policies contain complaints handling processes;

- Policies have not varied through practice;

- Inconsistent with Registrar Agreement and Mandatory Terms and Conditions (registrant obligations)

- Contain documents which should not be Published Policies and incorporated as contractual terms, such as auDA's Privacy Policy

Policy Reform 2017-8

- Terms of Published Policies have been varied through practice, and informal agreements:
- Resulting in inconsistent application of the policy or inability to enforce the policy;
- Lack of transparency and accountability;
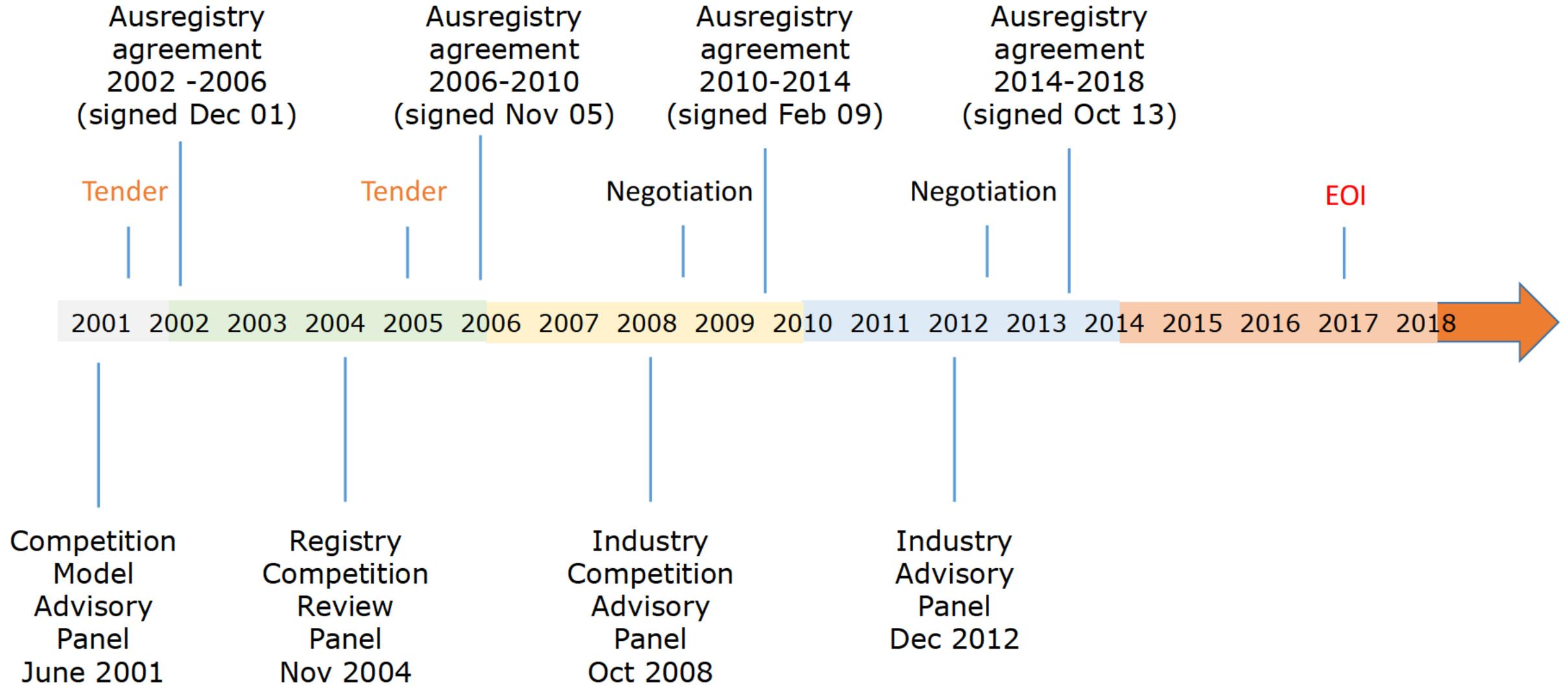- Regulatory capture.

auDA is committed to being inclusive of its regulated population and transparent in its policy review and development process.
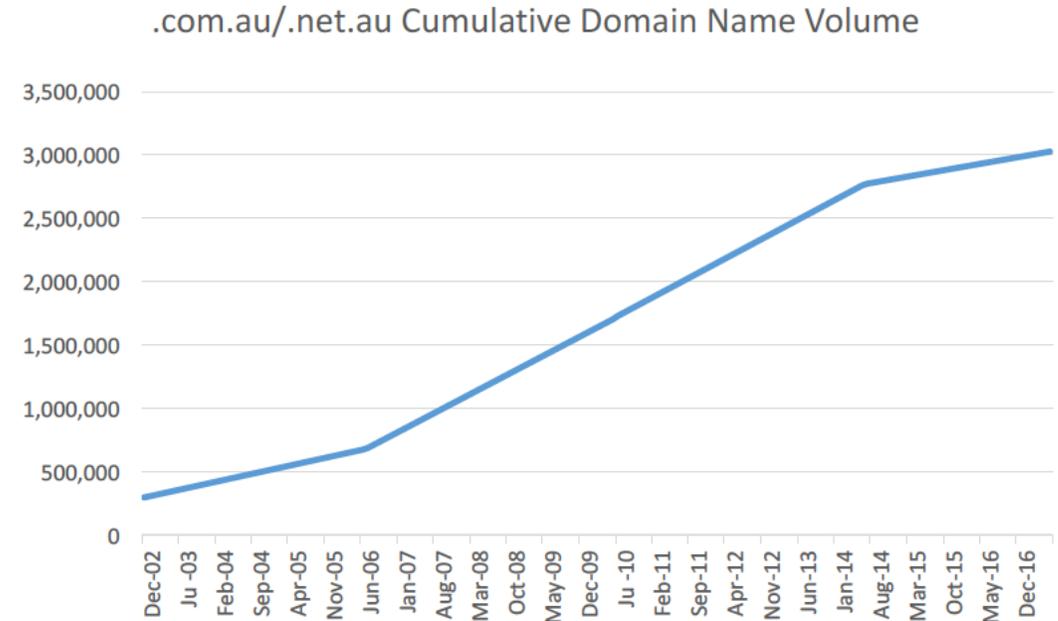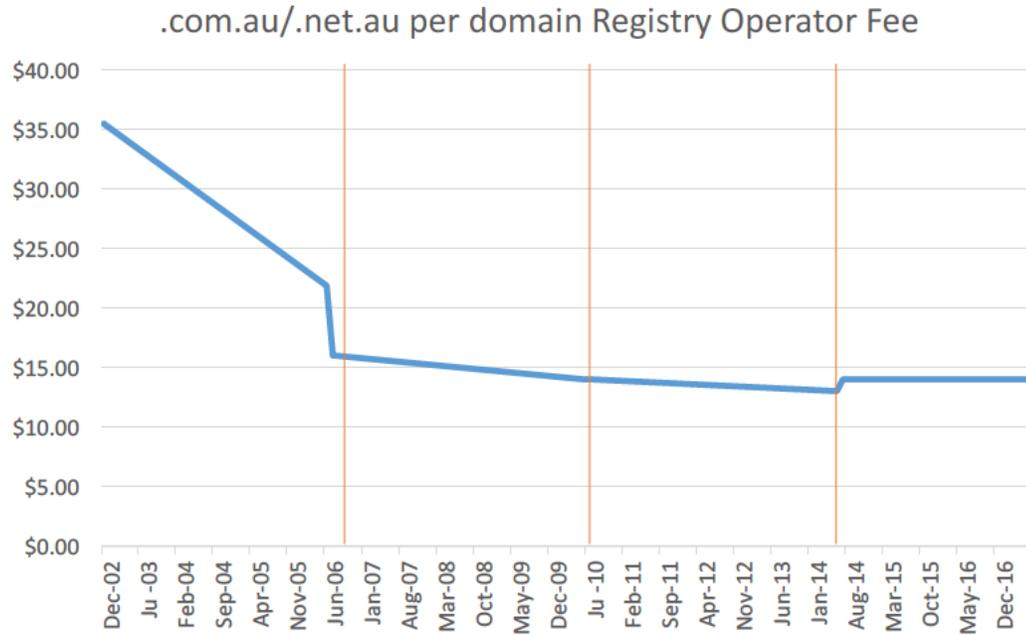
Policy Reform 2017-8

- Policy Review Panel:

  - Chair, Mr John Swinson, King & Wood Mallesons;

  - 12 months process

  - EOIs for Panel members and Terms of Reference to be released soon;

  - Panel to representative and inclusive of all parties having an interest in the use of the .au DNS

  - Extensive public consultation will be under taken

Registry Transformation Project

Background - Timeline

Ausregistry
agreement
2002 -2006
(signed Dec 01)

Ausregistry
agreement
2006-2010
(signed Nov 05)

Ausregistry
agreement
2010-2014
(signed Feb 09)

Ausregistry
agreement
2014-2018
(signed Oct 13)

Tender

Tender

Negotiation

Negotiation

EOI

2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

Competition
Model
Advisory
Panel
June 2001

Registry
Competition
Review
Panel
Nov 2004

Industry
Competition
Advisory
Panel
Oct 2008

Industry
Advisory
Panel
Dec 2012

Background – Registry Fee changes

.com.au/.net.au per domain Registry Operator Fee

.com.au/.net.au Cumulative Domain Name Volume

All fees for two years and ex GST

Background – Registrar Fee Breakdown

.com.au Two Year Registrar Fee Breakdown
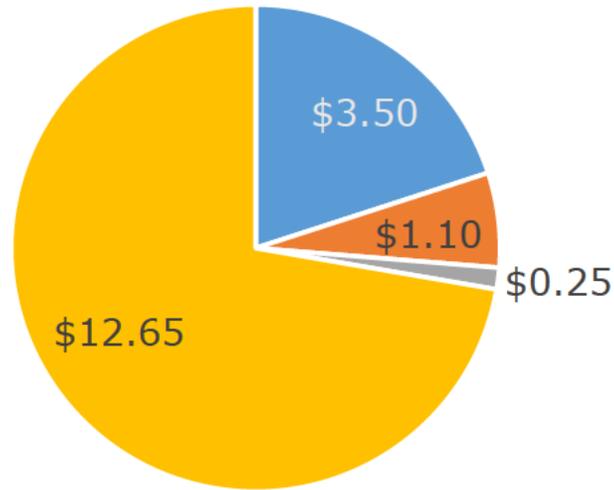
auDA share	$4.85
Registry Operator share	$12.65
Registrar Wholesale fee	**$17.50**

Legend:
- auDA Domain Name Fee
- auDA Registry Fee
- auDA Foundation contribution
- Registry Operator Share

Registry Operator Fee ($14) includes the auDA Registry Fee ($1.10) and auDA Foundation ($0.25) contribution.

Background - 2001

- Current industry **competition model** (registry, registrars, resellers, registrants), approved by the auDA Board in July 2001, originated from the 2001 auDA Competition Model **Advisory Panel**

    - **Clear separation between policy and operations**

    - Provision of registry services from auDA will be contestable, through a **periodic open tender process**

    - Registry Operator shall be subject to appropriate accountability mechanisms

    - auDA will set minimum technical standards, data protocols, security and service level agreements

- 2001 tender (6 responses):

    - Ausregistry selected as the Registry Operator 2002 – 2006 (1st term)

Background - 2004

- With respect to whether auDA itself should provide registry services – the auDA Board confirmed its commitment to maintaining a clear separation of policy and operations as part of the terms of reference of the Registry Competition Review Panel approved on 15 June 2004

- auDA Registry Competition Review Panel issued a report in Nov 2004

  - Current **periodic open tender process should be retained**

  - Annual registry licence fee payable to auDA

  - Charging model for registrars to be proposed by winning tenderer

  - Licence term for 4 years

- Recommendations approved by auDA Board on 22 Nov 2004

- 2005 tender (2 responses): Ausregistry selected 2006-2010 (2nd term)

Background - 2008

- auDA Industry Competition Advisory Panel reported on Oct 2008

- Existing registry model should be retained with future licence terms increased from 4 years to either 6 or 8 years

  - With regular software and technology refresh reviews during the period

- Recommended auDA negotiate with current registry operator for a licence term up to 4 years

  - At the time – current version of registry software only been operational for 12 months

  - Concern that change in registry operator would result in a significant cost burden on registrars

  - If negotiations unsuccessful – then open tender for 6 or 8 year term

- Recommendations approved by auDA Board on 20 October 2008

- Ausregistry negotiation: Extended the Ausregistry agreement 2010-2014 (3rd term)

2008 negotiated outcomes

- .com.au/.net.au Registry Operator's Fee starting at $14 with price drops as volumes increase

- Extended customer support hours for registrars

- Funding towards Marketing and Market Research

- $0.25 donation per .com.au/.net.au registration or renewal to auDA Foundation

- Implementation of DNSSEC (domain name system security extensions)

- Commitment to yearly independent Security Audits

- Continued improvement and enhancement of the registry software

Background 2012

- Competition model was reviewed by the 2012 Industry **Advisory Panel**

- 2001 Competition model retained

- Initiate **renegotiations with Ausregistry**

  - At that time most potential responders to a tender were focussed on ICANN's new gTLD program

  - Expected that new gTLD program would result in additional potential registry operators and it would take 2-3 years for the market to evolve and for new registry operators to establish market experience and track-record

  - Resulted in **current agreement with Ausregistry – 2014 – 2018 (4th term)**

- auDA should **undertake a formal RFT process once the renegotiated registry agreement expires.**

- The recommendations from the Advisory Panel relating to the registry were approved by the auDA Board in Feb 2013

2013 outcomes

- .com.au/.net.au Registry Operator's two year registration fees set at $14 (ex GST)

- org.au Registry Operator's two year fee set at $14 (ex GST)

- auDA annual registry fee from $0.50 to $0.55 per name

- Marketing commitments

- Quarterly State of the Domain report

- Annual .au Benchmarking survey

Background 2016/2017

- Neustar (owner of Ausregistry) Announcement 14 December 2016:

  "today announced that it has entered into a definitive agreement to be acquired by a private investment group led by Golden Gate Capital in a transaction valued at approximately $2.9 billion."

- Announcement by the Attorney-General 23 January 2017:
  - The **Critical Infrastructure Centre** brings together expertise and capability from across the Australian Government into a single location to better manage the national security risks to our critical infrastructure. It has a number of key functions including:
    - identifying our most critical infrastructure
    - developing coordinated, whole-of-government national security risk assessments and security advice
    - developing risk management strategies
    - supporting compliance.

Background 2016/2017

- Board sought external advice on registry options
- PwC: Option Framing Paper (30 January 2017)
- PPB Advisory: Registry Operation, Options Review (31 January 2017)
- Registry Operations Evaluation Board Report; M Burgess and R Falk (18 April 2017)

Decision April 24 Board Meeting

- auDA Board resolved to **undertake** restricted **tender exercise** starting with a scoping exercise

  - in line with recommendation 1A (e) of the 2012 Industry Advisory Panel recommendations approved by the auDA Board in Feb 2013

- **Registry Transformation Project** commenced in May 2017

Registry Transformation Project

- The Request for Expressions of Interest (**REOI**) is the initial scoping exercise to:

  - define parameters of a subsequent restricted tender process
  - assess potential suppliers and options

Registry Transformation Project Goals

a) Clear and effective separation between policy and operations

b) Maintain and further enhance trust with the Australian Government and the Australian community

c) Maintain operational stability and utility of the .au ccTLD

d) Becoming a world leader in managing security, confidentiality, integrity and availability of .au registry data

e) Supporting longer term goal to be an Emergency Back-end Registry Operator (EBERO) for other gTLDs or ccTLDs

f) Supporting a data science and data analytics capability in relation to the registry data

Current Key services

- Registration Service

- WHOIS Service

- Authoritative DNS Name Services

EOI Evaluation Criteria

- Financial

  - Value for money – financial and non-financial

  - Whole-of-life costs

- Technical and Operational

  - Ability to meet technical specs

  - Flexibility – ability to update software and continue to innovate

  - Similar experience and performance history

- Security

  - ability to support security, confidentiality, integrity and availability capabilities

- Ability to meet and deliver on the registry transformation project goals

Tender Evaluation Committee

- Global and local expertise, with representatives from:

- JAS Global Advisors

- PPB Advisory

- PwC Legal

- Ernst & Young

Tender Process Committee

- Global and local expertise, with representatives from:

- ISG (Information Services Group)

- Department of Communications and the Arts

- Centre for Internet Safety, University of Canberra

- NZRS (.nz registry)

EOI Respondents

- 15 responses

- 12 full responses – mix of registry operators from around the world, and specialist software companies with domain name experience

- 3 specialist, tailored responses around DNS services and business analytics services

- The project team was very pleased with the strength of responses received

Next Step: Request for Tender

- Following consultations with:

    - Registrar Liaison Committee

    - Tender Process Committee

    - Tender Evaluation Committee

    the project team recommended that a formal Request for Tender (RFT) process be initiated, which was accepted by the Board

- The RFT will be restricted to the respondents of the REOI

- The scope of the RFT will be to deliver an outsourced registry operation, based on auDA's updated specifications by Aug 2018.

- PPB Advisory, Ernst & Young, JAS Global, Information Services Group (ISG) and PwC have been engaged to assist in developing the RFT documentation.

- KPMG has been selected as the Probity Auditor

Timeline

At this stage, the indicative timeline for the project:

- Draft Technical specification available for public comment in week of 14 August 2017

- Request for tender to be published week of 28 Aug 2017

- Tender evaluation – Sept/Oct 2017

- Tender recommendation - Oct 2017

- Contract negotiations – Nov 2017

Central to the Registry Transformation Project is a solution that benefits the wider Australian Internet Community, and to ensure a robust process, timings may be adjusted to ensure the best outcome for auDA and its stakeholders.

Questions