

NEW gTLD PROGRAM: NEXT ROUND

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FAQs – gTLD evaluation fee (version 24 September 2024)

gTLD Evaluation Fee

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gTLD Evaluation Fee

1. What is the gTLD evaluation fee for the next round?

The expected gTLD evaluation fee has been set at USD \$227,000 per application. While the fee will not be approved formally until the Board approves the Applicant Guidebook for the next round, the expected cost is a critical piece of information for potential applicants when considering whether to submit a new gTLD application. The gTLD evaluation fee does not include fees for conditional evaluations which will be an additional fee if an applicant decides to choose a conditional evaluation. For further information about what is included in this fee and what is not, please see below.

2. How has ICANN org determined the gTLD evaluation fee?

The GNSO Final Report recommendations confirm that the fee is “set to recover costs associated with the new gTLD program. The fee is set to ensure that the program is fully funded and revenue-neutral and is not subsidized by existing contributions from ICANN funding sources, including generic TLD registries and registrars, ccTLD contributions and RIR contributions.”

As outlined in the [Operational Design Assessment](#) (ODA), the new gTLD Program scope represents the activities necessary to progress the implementation of the SubPro policy recommendations. This scope encompasses the operationalization of the systems and resources that will receive and process applications to the final step of delegating the gTLDs of successful applicants. This includes, amongst other activities, resolving open concerns, managing communication with the community, designing and developing the systems necessary to process applications, and hiring and training additional staff. In addition, funding for infrastructure development and operationalization is necessary to complete the implementation of the application evaluation processes and systems. A global communications campaign, onboarding of evaluation panels and vendors, payment of certain software licenses, conducting contract execution activities and pre-delegation checks, all are included in costs.

The costs associated with the new gTLD program can be broken down as follows:



Scope of Budget: Activities to implement the next round mainly up until the opening of the application window

As outlined in the New gTLD Program: Next Round Implementation Plan, the Implementation Budget is as follows:

Implementation Budget - 2023 Q2 Through 2026 Q2				
USD in Millions Work Stream	Avg FTE	Personnel Costs	External Costs	Total
Policy Implementation	8.5	\$5.9	\$2.8	\$8.7
Program Design	6.0	\$4.2	\$1.9	\$6.1
Infrastructure Development	10.5	\$7.2	\$10.6	\$17.8
Operationalization	6.7	\$4.7	\$2.9	\$7.5
Overarching Program Support	8.9	\$6.1	\$3.8	\$9.9
Sub-Total	40.6	\$28.1	\$21.9	\$50.0
Contingency	0.0	\$6.0	\$4.0	\$10.0
Shared Services	0.0	\$4.7	\$5.3	\$10.0
Total	40.6	\$38.8	\$31.2	\$70.0

As of June 2024, ICANN org has spent US\$21 million of the previously Board-approved US\$22 million for implementation activities. The ICANN Board approved a resolution in June 2024 for an additional US\$23 million for implementation activities from July 2024 through March 2025.

The table below shows a breakdown of the estimated implementation costs from 1 July 2024 through 31 March 2025.

Next Round Implementation Costs	July 2024 – March 2025 in millions)	Notes
Personnel / Contractors	US\$12.0	ICANN org staff costs for implementation, IT Systems, research, community engagement, applicant guidebooks
External Costs	US\$5.7	Vendor costs: IT System Development, research, process design, Communications Outreach
ICANN org Shared Services & Support	US\$2.3	Ongoing communal services that support the next round (IT support, office infrastructure, payroll, accounts payable, etc.)
Contingency	US\$3.0	Placeholder for unknown and hard to predict costs
Total	US\$23.0	

**Next Round
Processing Budget**

Scope of Budget: Activities mainly following the close of the application window to process applications through delegation

New gTLD Program: Next Round (USD in Millions)	Number of Applications			
	500	1,000	1,500	2,000
Program Category				
Evaluations, QA, Objections, Auctions	\$16	\$26	\$37	\$46
Processing and Program Support	\$38	\$48	\$53	\$59
Org Shared Services	\$5	\$7	\$9	\$11
Subtotal Processing Costs	\$58	\$81	\$100	\$117
Contingency & Risk Allocation	\$40	\$65	\$88	\$110
Total Processing Costs	\$98	\$146	\$187	\$227

- **Evaluations:** Expected to be performed by outside vendors (vendor outreach and pricing is currently in progress). The evaluation costs are estimated to be a mix of fixed and variable costs. Estimates factor in an inflation rate of 44% from 2012 contracted rates, staff research, industry knowledge, and 2012 lessons-learned.
- **Quality Assurance, Objections, Auctions:** To be performed by outside vendors. Expected to be a mix of fixed and variable costs. Estimates factor in inflation rate of 44% from 2012 contracted rates, staff research, industry knowledge, and 2012 lessons learned.
- **Processing and Program Support:** Costs for a) Personnel (ICANN Staff), b) temporary contractors, c) External Vendors, and d) Travel and Meetings. These costs support handling the applications from the evaluation phase through delegation of the gTLD and are a mix of fixed and variable costs.
- **Org Shared Services:** ICANN org ongoing internal services that support all programs but which are not directly attributable to a program or project. These services provide the infrastructure and support that any organization would need to run a company/business.

In addition, contingency and risk costs are included for all unforeseen and unplanned expenses that may occur throughout the program due to unknown factors or hard to predict costs. Examples of hard to predict costs are: 1) legal fees and litigation; 2) duration of the program (e.g., the 2012 Round has not closed); 3) vendor pricing; 4) Emergency Back-End Registry Operator (EBERO) program, 5) receiving a lower volume of applications than assumed.

3. What are the Fixed vs Variable Costs in the context of the new gTLD Program?

- **Evaluations:** Fixed costs are retainer fees and/or upfront deposits required to ensure a vendor’s services and to procure the best rate terms for anticipated application volume. All evaluation costs after the initial retainers and deposits are variable and a cost incurred per evaluation.
- **Quality Assurance, Objections, Auctions:** Fixed costs are retainer fees and/or upfront deposits required to ensure a vendor’s services and to procure the best rate terms for anticipated application volume. All quality assurance, objections, and auction costs after the initial retainers and deposits are variable and are dependent on the application volume, number of objections filed, and number of applicants that go to auction.
- **Processing and Program Support:** Fixed costs are for both ensuring that there is a base level of staff support and infrastructure in place to process applications immediately following the closing of the application window, as well as services from external vendors that do not change based on application volume. A few examples of vendor services are software licensing, Trademark Clearing House Database, and Emergency Back End Operator support. Variable costs are for incremental staff and infrastructure that is dependent on the application volume. Vendor services such as public relations, language services, and legal services are all variable and dependent on the application volume and types of applications received.
- **Org Shared Services:** The amount of shared services that the program incurs is variable and depends on the level of staff and services that the program requires compared to all other activities within the iCANN organization.

4. What is included in the gTLD evaluation fee?

The following evaluations and reviews are included in the estimated gTLD evaluation fee:

Included in estimated gTLD Evaluation Fee
Legal Compliance
Background Screening
Financial Evaluation
DNS Stability Review
String Similarity
Variant Review
Name Collision
Geographic String Determination
Safeguard Assessment
Other (e.g. closed generics, competition)

5. What is excluded from the gTLD evaluation fee?

Similar to the 2012 round, there are also a number of conditional or elective evaluations that are string and/or applicant related. **Fees for these evaluations will be charged separately** and determined well before the opening of the application window, based on the effort required to carry out these evaluations (cost recovery). This includes, amongst others:

Conditional Evaluations not included in the gTLD Evaluation Fee
Community Priority Evaluation (CPE)
Community registration policies review (Spec 12)
Geographic name review
Brand exemptions (Spec 13)
Code of Conduct exemption
Reserved Names Review
Re-evaluations as a result of change requests (if applicable, for example, background screening)
Limited challenges/appeals
Registry Voluntary Commitments (RVC) review
Name Collision High Risk Mitigation Plan Review
“Occupancy” fee for lingering applications ¹

Note that some of these conditional evaluations are new due to related policy recommendations or were introduced in the 2012 round after the AGB had been published (e.g., brand exemptions). For conditional evaluations that were performed during the 2012 round, the fees will be informed by the actual costs that were incurred in 2012 (e.g. CPE) taking into account inflation and current evaluation requirements.

Note that there are other fees that a successful applicant may need to pay after execution of the Registry agreement, such as fees for the Trademark Clearing House (TMCH) as well as annual registry fees. As an illustration, the current annual registry fees can be found at section 6.1 of the 2024 version of the registry base agreement, available here: <https://itp.cdn.icann.org/en/files/registry-agreements/base-registry-agreement-21-01-2024-en.html#article6.1>.

6. How does the fact that the number of applicants is unknown make it challenging to determine an appropriate gTLD evaluation fee?

The biggest challenge is that the number of applications that will be received is unknown. The ODA made an assumption of 2,000 applications – similar to the number of applications received during the 2012 round – but if a significantly lower number is received, this would represent a

¹ For further discussion / consideration.

significant financial risk for ICANN, especially from the perspective of the implementation costs incurred prior to the application window that could not be recuperated.

Determining a fee as cost-recovery with unknown demand before the application window opens creates a difficult balancing act for ICANN org. The org must balance the need for a robust program, against the potential for lower volume than estimated. ICANN wants to ensure the fee is reasonable and is accepting some risk of not recuperating the full implementation costs in order to set the evaluation fee not too high and therefore prohibitive to more applicants.

To mitigate these risks, ICANN org created various scenarios that give some insight into the deficit that could occur if fewer than the estimated number applications are received. In these models, ICANN org has already applied a conservative approach in relation to the implementation costs which are basically “sunk” costs (i.e., the costs will have been incurred before receiving a single application) by dividing those costs over 1,000 applications for all scenarios that have been modeled. At the same time, ICANN org is proposing a refund to applicants immediately after the close of the application window if more than the USD \$70M of implementation costs have been recovered. The amount of the refund will be determined based on the volume of applicants received and the amount of excess over the USD \$70M implementation costs. ICANN org plans to give applicants the option to not receive a refund, factoring in that some organizations may have challenges receiving such a refund due to tax or foreign exchange regulations.

Furthermore, as part of the program planning, ICANN org is putting emphasis on establishing a minimum capability at the start of the processing phase, but with plans in place to immediately ramp up processing capabilities if the number of applications is significantly higher. This is a helpful way to keep the costs low. This is, for example, also a guiding principle for how we are setting up the processing flow and order of evaluations, as well as building of the application system.

7. What is the proposed gTLD evaluation Fee?

Following consultations with the ICANN Board, Board Finance Committee, and the Next Round Caucus, as well as the implementation review team, the expected fee has been set at USD \$227,000. This fee is based on the scenario 1,500 applications are received to recover the costs of the program. While the fee will not be approved formally until the Board approves the Applicant Guidebook for the next round, the expected cost is a critical piece of information for potential applicants when considering whether to submit a new gTLD application.

For further information of what is included in each of these elements:

- **Implementation:** As a risk mitigation measure, the application fee assumes the USD \$70M implementation costs will be recovered from 1,000 applications. Therefore, each application will contribute USD \$70K towards the recovery of the USD \$70M

implementation costs. If more than 1,500 applications are received, the excess to cover the implementation costs will be returned to applicants.

- **Evaluations:** Expected to be performed by outside vendors (vendor outreach and pricing is currently in progress). The evaluation costs are estimated to be a mix of fixed and variable costs. Estimates factor in an inflation rate of 44% from 2012 contracted rates, staff research, industry knowledge, and 2012 lessons-learned.
- **Quality Assurance, Objections, Auctions:** To be performed by outside vendors. Expected to be a mix of fixed and variable costs. Estimates factor in inflation rate of 44% from 2012 contracted rates, staff research, industry knowledge, and 2012 lessons learned.
- **Processing and Program Support:** Costs for a) Personnel (ICANN Staff), b) temporary contractors, c) External Vendors, and d) Travel and Meetings. These costs support handling the applications from the evaluation phase through delegation of the gTLD and are a mix of fixed and variable costs.
- **Org Shared Services:** ICANN org ongoing internal services that support all programs but which are not directly attributable to a program or project. These services provide the infrastructure and support that any organization would need to run a company/business.
- **Risk / Contingency:** Similar to the 2012 New gTLD application fee, the Next Round Application fee includes an assumption for unknown and hard to predict costs. The risk / contingency part represents 30% of the gTLD evaluation fee. Examples of hard to predict costs are: 1) legal fees and litigation, 2) duration of program, for example, the 2012 Round still has not closed, 3) vendor pricing, 4) Emergency Back-End Registry Operator (EBERO) program, and 5) lower volume of applications than assumed.

8. What would be the deficit / excess that would be incurred if fewer or more new gTLD applications than anticipated are received in the different fee scenarios?

Evaluation Fee Volume Scenarios <i>(USD in Millions)</i>	500	1,000	1,500	2,000
\$214,000 Evaluation Fee				
Total Fees Received	\$107	\$214	\$321	\$428
Total Program Costs	\$189	\$251	\$306	\$358
Net Excess / (Deficit)	(\$82)	(\$37)	\$15	\$70
\$227,000 Evaluation Fee				
Total Fees Received	\$114	\$227	\$341	\$454
Total Program Costs	\$189	\$251	\$306	\$358
Net Excess / (Deficit)	(\$76)	(\$24)	\$35	\$97
\$251,000 Evaluation Fee				
Total Fees Received	\$125	\$251	\$376	\$501
Total Program Costs	\$189	\$251	\$306	\$358
Net Excess / (Deficit)	(\$64)	\$0	\$71	\$144
\$309,000 Evaluation Fee				
Total Fees Received	\$154	\$309	\$463	\$617
Total Program Costs	\$189	\$251	\$306	\$358
Net Excess / (Deficit)	(\$35)	\$58	\$157	\$260

9. How does the gTLD evaluation fee for this round compare to the 2012 fee?

For background, in 2012 the gTLD evaluation fee was set at USD \$185,000 and it was estimated that 500 applications would be received. The actual number of applications received was 1,930 with 1,241 delegated to date.

Changes resulting in higher costs for 2026	Changes resulting in lower costs for 2026
<ul style="list-style-type: none"> • Inflation – 44% increase in all costs by 2026 • Additional evaluations compared to 2012 including, RVCs, safeguard assessment, brand exemptions, limited challenges/appeals mechanism, IDN variant review, joint venture review. • Increased complexity of evaluations for the following: background screening (for example, GDPR requirements), string contention, reserved name determinations, CPE Evaluations, string changes, change requests. • Objectives of the program include the intent to diversify and enable broader access to the domain name system across the world. Supporting this objective includes activities that are different and supplemental to the 2012 round. 	<ul style="list-style-type: none"> • Evaluations are carried out per entity/applicant instead of per application for background screening and financial evaluation. • Technical evaluation performed on each RSP moved under the RSP Program with separate fee. • Removal of Continuing Operations Instrument (COI) requirement. • More planning opportunity and benefit of experience from the previous round.

It is important to note that ICANN org did not use the 2012 as a starting point for its calculations, by adding to or subtracting from it, but rather the different scenarios have been built from the ground up by considering all the evaluations and steps an application will need to

go through and the expected resources needed to assist applicants and applications in this process.

10. Why is the contingency or risk set at the same level as in 2012?

Similar to the 2012 New gTLD application fee, the Next Round Application fee includes a contingency part to cover costs which are currently unknown or hard to predict. The amount of the contingency part was calculated based upon the actual cost of the 2012 program and an assessment of next round program risks and represents 30% of the gTLD evaluation fee. Examples of hard to predict costs include: 1) legal fees and litigation, 2) duration of program (e.g., the 2012 Round still has not closed, 3) vendor pricing, 4), and 4) receiving a lower volume of applications than had been assumed. The risks identified include both internal program risks which can be mitigated within the program team (e.g. delay in processing applications), and external risks, which are largely outside the control of the program (e.g. cyber terrorism)

The Next Round Program has implemented a comprehensive risk identification and management process to further monitor and mitigate these risks, minimizing impacts to the budget, where possible.

11. What if, despite taking a risk-mitigating approach to determining the gTLD evaluation fee, there will still be a deficit, or an excess if more applications than assumed are received?

Per the policy recommendations, “in managing funds for the New gTLD Program, ICANN must have a plan in place for managing any excess fees collected or budget shortfalls experienced. The plan for the management and disbursement of excess fees, if applicable, must be communicated in advance of accepting applications and collecting fees for subsequent procedures.” ICANN org will share the proposed plan with the IRT in the near future.

12. Are the costs of implementation “amortized” over the processing of new gTLD applications that could be received on an on-going basis after the next round?

The idea of being able to amortize any costs, like systems for example, over a broader scope of application processing than the next round, assumes that such costs are incurred for work that has value beyond the conclusion of the next round. While this is plausible in principle:

- The costs of the next round are, as per policy requirement, recovered by the fee collected during this next round.
- Amortizing next-round costs requires two factors to be determined that are highly unpredictable at the moment:
 - how long would the next round last, and

- how many applications would be received in the next round and how many applications would be processed in subsequent rounds over what period of time.

Therefore, it is impossible at this stage to determine with any degree of reliability an amount of implementation costs that could be deferred and amortized over applications received after the next round.