



REGISTRAR SURVEY

Regarding New TLD Policies

Aug/Sept 2009

BACKGROUND

ICANN is currently proposing changes as part of the new TLD process. In version II of the Draft Applicant Guidebook for the new TLD process, ICANN introduced a significant change in the long standing policy prohibiting any entity from both selling (acting as a registrar) and providing registry services (acting as a registry) in the same TLD. This policy, in place since the breakup of Network Solutions and VeriSign 10 years ago, was established to protect the public from “insider dealing” by precluding registrars from owning controlling interest in the registries of TLDs they sell. The proposed policy change, supported by several large registrars, eliminates these protections, allowing registrars to both own registries in a majority position and sell domains in TLDs for which they were also the registry. ICANN economists and others have identified potentially significant problems with this change.

In order to measure reaction to the proposed ICANN changes, participants of registryregistrar-separation.org decided to conduct a survey among ICANN accredited registrars. The overall objective of this project was to gauge registrar support of or opposition to the proposed changes in order to provide ICANN additional data on which to base their decision.

For this project, an independent research organization reached out in late August/early September, 2009 by phone and email to a sample of 230 small, independent registrars. Of these, 59 responded to the survey.

SAMPLE

The sample for this research was drawn from the list of ICANN accredited registrars (<http://www.icann.org/en/registrars/accredited-list.html>). Potential respondents included smaller, independent registrars. Registrars were considered “independent” if they did not appear to be owned by or affiliated with the larger registrars with multiple “creds”.

Below is a geographical breakdown of the number of sample records utilized for this research.

Region	Total Sample
North America	97
Europe	71
Asia/Pacific	58
Latin America	4
	230

METHODOLOGY

For this project, PKS Research Partners conducted surveys via telephone and email. Interviewing for this research was conducted primarily by telephone, although respondents were also permitted to complete the survey online when requested.

In order to qualify to be interviewed, the respondents needed to be the CEO or equivalent individual for their company. The fieldwork for this research was conducted from August 26 to September 16, 2009.

Responses were coded to protect the confidentiality of the respondents, and overall results were compiled and analyzed in aggregate to form this report of the findings.

Below is a breakdown of the number of completed interviews by region.

Region	Completed Interviews
North America	27
Europe	19
Asia/Pacific	13
Latin America	0
	59

Conclusion

A large majority (68%) of the registrars interviewed are not in favor of allowing registrars to own registries or registry service providers for the TLDs they sell. A similar proportion of these registrars are highly concerned with the three concerns raised by ICANN’s economists: 1) cross subsidization and unfair pricing; 2) preferential access; and 3) mis-use of confidential information.

	Not in Favor of the change	In Favor of the change
	%	%
Overall Results	68	19
Level of concern regarding three issues raised by economists:		
	Very Concerned	Not Very Concerned
	%	%
Cross subsidization and unfair pricing	75	12
Preferential access to registry resources	80	12
Misuse of confidential information	83	9

Detailed Findings

Each respondent was introduced to the subject with the following explanation:

Hello. This is <name> from PKS Research Partners. I am calling to ask your opinion of some changes that ICANN is proposing as part of the new TLD process now underway. I have only 4 questions, and your opinion is very important, as we expect to share the results of this survey with the ICANN Board. Your opinions will be kept strictly confidential, as only aggregated results will be published.

As you know, ICANN currently requires vertical separation between registrars and registries. This policy requires registry operators to provide equivalent access to all registrars, regardless of registrar size. Registries are further precluded from selling their own TLD or allowing any other registrar to have access to the confidential customer information that YOU, as a registrar, must send to the registry.

The new TLD process, however, proposes to change this policy by allowing “vertical integration” so registrars could own TLD registries and/or registry service providers for TLDs they sell. The proposal is touted as encouraging competition and innovation in the domain space. Current proponents of this change include large registrars in the top 5 ranking. Various industry groups including registrars who have studied this closely have raised concerns that this may provide big registrars with unfair advantages over small registrars, especially in TLDs that are “owned” by the big registrars.

Experts have identified 3 issues if the current vertical separation policy is eliminated, and we’d like YOUR opinion regarding these issues.

Four questions were asked of each respondent, with questions 2, 3 and 4 rotated, and question 1 asked last. This section provides the results for each question.

1) Overall Opinion of Proposal to Eliminate Vertical Separation in a given TLD

Question: Which of the following statements best describes your overall opinion of the proposal to eliminate vertical separation and allow registrars to own registries or registry service providers in the TLD's they sell:

- *I am NOT IN FAVOR of allowing registrars to own registries or registry service providers for the TLDs they sell*
- *I am IN FAVOR of allowing registrars to own registries or registry services providers for the TLDs they sell, as potential cross-subsidized pricing, preferential access and mis-use of confidential information are not issues to my registrar*
- *I do not have an opinion of the proposal*

More than two-thirds (68%) of the respondents are not in favor of allowing registrars to own registries or registry service providers for the TLDs they sell. One in five (19%) respondents are in favor of the proposal, while the remaining 14% have no opinion.

	N=	-% OF TOTAL-
Total	59	%
I am not in favor	40	68
I am in favor	11	19
I do not have an opinion of the proposal	8	14

2) Cross-Subsidization and Unfair Pricing

Question: One issue concerns cross-subsidization and unfair pricing: A registrar-owned registry or registry services provider would have the ability to cross-subsidize the owning registrar in the TLD it sells, enabling the owning registrar to charge less at retail and thereby creating price disadvantages for other registrars. Using a scale of one to ten where "10" means you are "very concerned" about this issue and "1" means you are "not at all concerned" about this issue, how concerned are you about this?

More than three out of five (63%) respondents indicated a high level of concern about cross-subsidization and unfair pricing (8, 9 or 10 on a ten point scale). Another quarter (26%) of the respondents are moderately concerned about this issue (5, 6 or 7 on a ten point scale).

One third (32%) of the respondents rated their concern level the highest possible (10 on the ten point scale).

	N=	-% OF TOTAL
Total	59	%
10 VERY CONCERNED	19	32
09	7	12
08	11	19
07	7	12
06	3	5
05	5	9
04	2	3
03	-	-
02	1	2
01 NOT AT ALL CONCERNED	4	6
DK/RF	-	-

3) Preferential Access

Question: One issue concerns preferential access. Despite equivalent access requirements, a registrar owner may be treated as "more equal" than other registrars. For example, a registrar who owns a registry or registry services provider in a TLD it sells may have access to systems details like the specific drop time for deleting names. Or, the owning registrar may locate its servers topologically closer to the registry than any other registrar, enabling faster connections. This inside knowledge may effectively provide preferential access to the owning registrar, to the disadvantage of other registrars. Using a scale of one to ten where "10" means you are "very concerned" about this issue and "1" means you are "not at all concerned" about this issue, how concerned are you about this?

Two-thirds (67%) of the respondents have a high level of concern regarding preferential access (8, 9 or 10 on a ten point scale).

Another one in five (22%) have a moderate level of concern about this issue (5, 6 or 7 on a ten point scale).

More than a third (36%) of the respondents indicate the highest level of concern on this topic (10 on the ten point scale).

	N=	-% OF TOTAL-
Total	59	%
10 VERY CONCERNED	21	36
09	10	17
08	8	14
07	8	14
06	3	5
05	2	3
04	1	2
03	1	2
02	1	2
01 NOT AT ALL CONCERNED	4	6
DK/RF	-	-

4) Use of Confidential Information

Question: One issue concerns use of your confidential information against you: A registrar-owned registry or registry services provider will have access to confidential information such as which names you are checking availability for, your account activity data, and your customer contact details. If this is shared with the owning registrar, the owning registrar will have the ability to conduct precisely targeted and timed activities against you. Using a scale of one to ten where "10" means you are "very concerned" about this issue and "1" means you are "not at all concerned" about this issue, how concerned are you about this?

More than three-quarters (77%) of the respondents are highly concerned about the potential use of confidential information by registry service providers against them (8, 9 or 10 on a ten point scale). Another 16% show at least moderate concern about this potential issue (5, 6 or 7 on a ten point scale).

Almost half (48%) rated their concern regarding the use of confidential information a "10" (10 on the ten point scale).

	N=	-% OF TOTAL-
Total	59	%
10 VERY CONCERNED	28	48
09	8	14
08	9	15
07	4	7
06	-	-
05	5	9
04	1	2
03	-	-
02	-	-
01 NOT AT ALL CONCERNED	4	6